

1 MR. CERESNEY: If you can continue to share the
2 screen, that would be great.

3 MS. WAXMAN: Okay.

4 BY MS. WAXMAN:

5 Q So I would like to direct your attention to
6 page 20, the first paragraph. What does the first
7 paragraph talk about?

8 A It talks about their costs and how they manage
9 liquidity today.

10 Q Does it talk about costs incurred by MoneyGram
11 using traditional payments?

12 A Yes.

13 Q Traditional payment rails?

14 A Yes.

15 Q And is this your understanding based on
16 conversations that you've had about MoneyGram or with
17 MoneyGram of the costs that they incur using traditional
18 payment rails?

19 A It is incomplete, but yes.

20 Q What's missing from that?

21 A The cost of capital.

22 Q And do you know what the cost of capital is for
23 MoneyGram?

24 A I do not.

25 Q But you think that's an additional cost that

1 they bear/incur?

2 A For certain.

3 Q The second paragraph talks about fees that
4 MoneyGram incurs in connection with their use of the ODL
5 platform. Is that your understanding?

6 A Yes.

7 Q And the fees that are identified, is this your
8 understanding of the fees that MoneyGram incurs in
9 connection with its use of ODL?

10 A It is my understanding how they have
11 articulated those costs, yes.

12 Q And is that accurate, those costs?

13 A I don't know.

14 Q Do you have any reason to believe that the
15 description of the fees that they incurred is inaccurate?

16 A I don't have any reason to believe that, no. I
17 mean, as I commented, you know, if you look at any
18 snapshot in time, it can tell an incomplete story and so
19 what these look like today versus fees look like in two
20 years, I'm thinking more about where the world's going in
21 X years than I am where we are right now.

22 Q Okay. But my -- today -- this document is from
23 November 22nd, 2019 and it bears the Bates stamp numbers
24 Moneygram_SEC_2 through 69. But today, is this an
25 accurate description of MoneyGram's fees?

1 A I have no reason to not believe it's an
2 accurate description as of the date it was written. Not
3 today.

4 Q And so what are the category of fees that they
5 outline in the document?

6 A They outline third-party exchange fees, they
7 outline spread -- they don't call it spreads but they
8 outline spreads. That's what I think the second paragraph
9 on page 20 is, referring to those two fees.

10 Q And the third paragraph talks about the
11 commercial agreement between Ripple and MoneyGram and
12 payments that MoneyGram is to receive under the contract.

13 Is this description consistent with your
14 understanding of the terms of the commercial agreement
15 with MoneyGram?

16 A I have no reason to not believe that it's
17 consistent.

18 Q The fourth paragraph talks about additional
19 fees due to MoneyGram under -- from Ripple under the
20 contract. It references 110 million in transaction fees.

21 Was this number subsequently reduced at any
22 time?

23 A I am not sure.

24 Q The amounts due to MoneyGram under the
25 commercial agreement, does Ripple disclose any of that

1 anywhere?

2 A To whom?

3 Q Does Ripple publicly disclose the terms of the
4 agreement or any of the payments that it makes to
5 MoneyGram in connection with the commercial agreement?

6 A As a private company, no.

7 Q Is there any reason why it doesn't disclose
8 this information?

9 MR. SOLOMON: Don't answer the question if
10 answering it would reveal any advice you've gotten on the
11 subject from your attorneys.

12 THE WITNESS: Sorry, if we could go back to --
13 your question is --

14 BY MS. WAXMAN:

15 Q It's simply why doesn't Ripple disclose the
16 terms of the agreement with MoneyGram?

17 A Because we're a private company and certainly
18 we would share that with our board of directors, but
19 with -- there is no requirements to share it publicly.
20 And as we build the business, there are lots of things we
21 do that we are not -- you know, that could be used by our
22 competitors to, at this nascent stage, be disruptive to
23 our growth and our strategy.

24 Q The very last paragraph, it says that Ripple
25 pays transaction fees and that those fees are paid in

1 XRP. Do you see that?

2 A Yes.

3 Q Did Ripple place any restrictions on
4 MoneyGram's sales of the XRP that it provided in
5 connection with the transaction fees?

6 A I believe so.

7 Q And are these restrictions similar to those
8 placed on financial institutions who purchase XRP at a
9 discount from Ripple?

10 A I don't know.

11 Q What restrictions did Ripple place on
12 MoneyGram's sales of that XRP?

13 A I don't recall specifically.

14 Q And what is the purpose of placing restrictions
15 on the sales of XRP by MoneyGram?

16 A It's our intention to make sure that the impact
17 of Ripple's activities -- and I would call MoneyGram an
18 extension of Ripple's activities by virtue of using XRP
19 as an incentive -- that we don't have an impact on the
20 market. And so by putting restrictions -- when I say the
21 market, I'm referring to the XRP market. By putting
22 restrictions on their sales, we're mitigating the risk of
23 unexpected impacts on the market through Ripple or its
24 extended players like MoneyGram.

25 Q And when you say impact to the market, are you

1 talking about impact to price and volume?

2 A Yes.

3 Q Can you turn now, on the top of page 21, it
4 says, "The following will illustrate the flow of funds
5 for both the traditional foreign exchange utilizing a
6 commercial bank and using the ODL platform, as well as
7 demonstrate the economics of both transactions. For
8 illustration purposes, both scenarios will assume foreign
9 exchange rates stay constant."

10 This is page 22. And this is page 23. These
11 are the two charts.

12 And my understanding is that the two charts are
13 comparing the costs of the same -- how much it costs to
14 send a thousand dollars using traditional payment rails
15 verse the ODL platform.

16 A I'm sorry, is there a question?

17 Q Yes. Based on these two illustrations, does it
18 cost MoneyGram more to use ODL than using traditional
19 payment rails?

20 A Based upon these illustrations from MoneyGram
21 dated November of last year, I think it clearly
22 demonstrates that their analysis is it costs more.

23 Q And how much does it cost to send the payment
24 that they use as an example using traditional rails,
25 according to this document?

1 A \$17.25 is what they're showing, I think.

2 Q And how much does it cost --

3 A Just in the context of -- sorry. Go ahead.

4 Q And how much does it cost to send the same
5 transaction using ODL, according to this document?

6 A \$156.75.

7 Q If you turn to --

8 A But if I can clarify one thing, I believe you
9 had stated that it was an analysis to moving \$1,000. my
10 reading of this is it's an analysis moving \$22,477.

11 Q Notional USD, okay. But it's comparing apples
12 to apples?

13 A No, it's not.

14 Q No, it's not? Are they comparing moving the
15 same amounts using traditional payments and moving the
16 same amount using ODL?

17 A As I had shared earlier, I believe that any
18 analysis of costs is incomplete without understanding the
19 cost of capital.

20 Q Do you believe the cost benefits from reducing
21 MGI's costs of capital outweighs the difference between
22 the costs on page 22 and 23?

23 A I think that over the long haul, I'm very
24 confident in that. If I were to use a little bit of math
25 from the document you shared with me, it says in the

1 document that on any given day, they have \$120 million of
2 liquidity parked in accounts around the world. If you
3 assign for, you know, a corporate of their size, a cost
4 of capital of 10 percent, which seems reasonable --
5 probably theirs is more expensive because they have a lot
6 of debt. They have a debt problem. You know, that costs
7 them \$12 million a year to pre-fund all those accounts.
8 \$12 million a year is a lot of money and so you divide
9 that across a lot of transactions and there's a lot of
10 cost savings there.

11 Q You said that you thought the benefits outweigh
12 the differences over the long haul. What about in
13 November 2019 and what about now?

14 A Well, I guess the point I was trying to make is
15 I think this is an analysis that's not comparing apples
16 to apples, and that it is incomplete by not understanding
17 the value proposition of not pre-funding accounts. I
18 think this is showing their analysis based upon last
19 November. My point in saying the long haul is that
20 certainly the fees you see represented on page 23, at
21 least as identified in the top right corner of page 23,
22 those are fees as of last November and even since that
23 time, the fees involved have reduced. And I expect they
24 will continue to reduce, and so when I refer to the long
25 haul, I think about the ongoing dynamic.

1 Q Did Ripple itself do the apples-to-apples
2 comparison comparing costs for -- MoneyGram's costs to
3 use traditional rails as opposed to its costs to use ODL?

4 A I don't know.

5 Q Did you publicly talk about ODL's ability to
6 reduce MoneyGram's costs?

7 A I suspect I did. That's why you're asking.

8 Q When you --

9 A I don't recall specifically is my -- I'm sure I
10 spoke publicly about the MoneyGram deal and I do believe
11 that On-Demand Liquidity has potential to significantly
12 reduce the costs associated with cross-border liquidity
13 management and, by extension, payments.

14 Q You say the potential. However, did you tell
15 customers that there were actual cost savings by using
16 xRapid or On-Demand Liquidity and at the time that you
17 made the statement, not in the future?

18 A I don't recall.

19 Q It is your understanding now sitting here today
20 that ODL provides cost savings to MGI?

21 A I don't have that information available to me
22 because I don't have MoneyGram -- for example, I don't
23 have MoneyGram's cost of capital.

24 Q Is it accurate to say that ODL saves MoneyGram
25 money today?

1 A I don't know.

2 Q Is it accurate to say that ODL saves MoneyGram
3 money as of November 2019?

4 A I don't know.

5 Q Did you say that ODL saved MoneyGram money?

6 A I don't recall.

7 Q If you turn to page 24, it talks about the
8 terms of the agreement, the commercial agreement and
9 payments that Ripple makes to MoneyGram and it talks
10 about rebate fees and transaction fees.

11 Would ODL be uneconomical for MoneyGram without
12 the payment of the rebate or transaction fee from Ripple?

13 A I don't know.

14 Q Based on this diagram and the information in
15 the document, would ODL be uneconomical absent these
16 payments?

17 A Well, I mean, if you're just asking me to
18 ascertain the math on page 24, then I'm not going to
19 argue with what is printed on the page. What I'm
20 pointing out, as I have, is that I don't know who did
21 this analysis and what is included in the analysis and my
22 impression is it doesn't include what I testified to this
23 morning. The most important cost savings I believe was
24 ODL -- formerly known as xRapid -- is the cost savings
25 associated with liquidity management, which is absent

1 from this analysis. Apparently --

2 Q So when you're talking about cost savings, are
3 you only -- strike that.

4 When you were referring to cost savings, were
5 you only referring to savings resulting from --
6 associated with pre-funding?

7 MR. SOLOMON: I'm sorry, when referring to cost
8 savings when? I apologize if I missed it. You're saying
9 generically when he was talking about cost savings or are
10 you talking about today? And I apologize. I may have
11 just missed it.

12 MS. WAXMAN: No problem.

13 BY MS. WAXMAN:

14 Q When you spoke about cost savings in connection
15 with ODL, either cost savings by MoneyGram or in general,
16 were you talking about cost savings related to
17 pre-funding or were you talking about additional cost
18 savings from other means?

19 A When I testified this morning, I think the
20 primary cost savings I think about when I think about ODL
21 is associated with the benefit of the costs associated
22 with pre-funding.

23 Q Are there costs associated with FX rates,
24 better FX rates?

25 Are there cost savings associated with better

1 FX rates?

2 A I mean, based on what data? Based upon what
3 MoneyGram has presented, their analysis, the answer -- I
4 think they are saying no. Is that the question you're
5 asking?

6 Q Well, just in general, I was asking the
7 question if there are cost savings from, you know, ODL
8 providing better FX rates.

9 A I think that potential certainly exists.

10 Q And were you thinking about that when you
11 referenced cost savings in connection with ODL? Is that
12 what -- did you factor that in to your analysis?

13 A Which reference of cost savings are you
14 referring to?

15 Q Okay. I'll strike that. We can take a look at
16 some specific references.

17 A Okay.

18 Q I want you to turn to page 15 and point you to
19 the third paragraph where -- if you want to read that for
20 a minute, I have a question when you're done.

21 A Okay.

22 Q Did you ever discuss with MoneyGram their
23 understanding of their role under the commercial
24 agreement as a, quote, service provider rather than a
25 customer of ODL?

1 A I have no recollection.

2 Q What service is MoneyGram providing under the
3 agreement according to this document?

4 A I mean, I guess you're asking me to interpret
5 the document to opine on what service MoneyGram's
6 providing Ripple?

7 Q Yes.

8 A Is that the question?

9 I think the document's arguing that it doesn't.
10 I think that's the accounting position they're taking.

11 Q I'm not talking about the accounting position.
12 I'm just talking generally, did you --

13 A That whole section is about an accounting
14 treatment.

15 Q Did you view MoneyGram as a customer of Ripple?

16 A I view users of On-Demand Liquidity as
17 customers of Ripple.

18 Q Did MoneyGram ever tell you that they viewed
19 the relationship differently and that they viewed
20 themselves as a service provider?

21 A Well, my interpretation is they're seeking
22 certain accounting treatments with the SEC and so they're
23 taking a position in terms of how they're doing that. I
24 think if you looked at Alex Holmes' comments -- and he
25 has spoken at some of our customer events -- he has

1 attended as a customer and has represented as a customer.

2 Q Are you saying MoneyGram's representation to
3 the SEC, the Office of Chief Accountant, are not
4 accurate?

5 MR. CERESNEY: You know, I'm not going to let
6 him answer that question, Daphna.

7 BY MS. WAXMAN:

8 Q Did you discuss with MoneyGram whether they
9 understood it was more expensive for them to use ODL?

10 A No.

11 Q Did they ever tell you that it was more
12 expensive for them to use ODL?

13 A They definitely, during the course of
14 discussions, shared that when they think -- when they
15 don't think about the costs of capital, they weren't
16 clear today that there were savings associated with using
17 ODL.

18 Q So absent factoring the costs of capital, they
19 told you that -- what did they tell you?

20 A They're not sure it was cost savings.

21 Q And when did they tell you that?

22 MR. SOLOMON: I just want to be careful when
23 talking about what did they tell you, when did they tell
24 you that. I think you should just make clear if you
25 remember having a conversation, who was it with, or if

1 you're just having general recollections, not the crux of
2 the conversation.

3 THE WITNESS: The one conversation I recall
4 because it -- which I found humorous -- is the
5 conversation with Alex Holmes, the CFO, discussing their
6 costs and Alex Holmes asking the CFO for their costs of
7 sending money into Mexico, and his analysis left out the
8 cost of capital. I asked the CFO what about the cost of
9 capital. There was a very long, dramatic pause. I think
10 he felt awkward because he realized, in fact, yes, there
11 is a cost of capital and it wasn't included in his
12 analysis.

13 BY MS. WAXMAN:

14 Q If you took out the cost of capital, would ODL
15 be more expensive for MoneyGram?

16 A Based on MoneyGram's analysis as of last
17 November, I think the answer is yes.

18 Q And based on what Alex Holmes has stated to you
19 or anyone else at MoneyGram, would you have the same
20 answer?

21 A I don't have a different answer. Yes, I
22 guess -- yes.

23 Q And what about if you do include the cost of
24 capital as part of the analysis. Is ODL still more
25 expensive for MoneyGram than using traditional payment

1 rails?

2 A I don't know.

3 Q Did Alex Holmes ever say anything to you about
4 that?

5 A I don't recall.

6 Q Did you ever discuss that with anyone at
7 Ripple?

8 A Not that I recall.

9 Q Now, talking about other customers other than
10 MoneyGram, was it -- did those customers incur cost
11 savings from using ODL?

12 A If I can just clarify the question, you're
13 asking me to opine on the cost savings of other companies
14 in their analysis?

15 Q Yes, but not to opine but based on your
16 specific conversations that you've had about the subject.

17 A I don't recall.

18 (SEC Exhibit No. 148 was marked for
19 identification.)

20 Q I would like you to turn to Exhibit 148 in the
21 binder.

22 MR. SOLOMON: Before we move on, let me just
23 make sure, do you need a quick break, bathroom or coffee
24 or anything like that? We're an hour and five minutes
25 in.

1 THE WITNESS: Maybe do the next exhibit and
2 take a break, if that works for Daphna?

3 MR. SOLOMON: Assuming it doesn't take as long
4 as the prior document.

5 (Laughter.)

6 MR. SOLOMON: Daphna, do you expect this
7 exhibit is going to be quicker or do you think it's going
8 to be another significant amount of questioning?

9 MS. WAXMAN: It's only a four-page document. I
10 think we can get through it fairly quickly.

11 BY MS. WAXMAN:

12 Q So just for the record, let me explain Exhibit
13 148 to you. I'm going to stop sharing my screen. The
14 first page of Exhibit 148 is a screen shot of a video of
15 an interview that you gave on Bloomberg, and at the very
16 top of the page is the HTML website for the YouTube
17 video, and then the next pages is a transcription of the
18 video.

19 A Okay.

20 Q Why don't you take a couple of minutes to look
21 at it and let me know when you're done and I could share
22 it on the screen as well if people want me to do that.

23 MR. CERESNEY: That would be great. And what
24 was the date of the interview, Daphna?

25 THE WITNESS: Looks like --

1 MS. WAXMAN: I can't read this.

2 THE WITNESS: It would have been about June or
3 July last summer.

4 MS. WAXMAN: I can tell you in a second. It's
5 on the document. I just can't -- I'll tell you in a
6 moment. My eyesight is really poor. It's from June
7 2019.

8 THE WITNESS: I think I'm ready.

9 MS. WAXMAN: Okay. I just need a moment.

10 BY MS. WAXMAN:

11 Q On page 3 beginning at line 13, you say, "With
12 MoneyGram, we know out of the gates we can actually make
13 their system much more efficient."

14 A I think the sentence goes on. An important
15 context is, "And the key reason is today both Western
16 Union and MoneyGram, they pre-fund accounts around the
17 world."

18 Q In connection with your comments regarding
19 MoneyGram's cost savings, did you ever disclose any of
20 the payments that Ripple provided under the agreements?

21 A I think on line 5 below, looks like the answer
22 is somewhat yes based upon I'm talking publicly about the
23 investment we made.

24 Q Do you disclose the -- when you talk about the
25 investment, are you talking about the \$50 million

1 investment?

2 A I believe your question was did Ripple disclose
3 any of the payments made to MoneyGram. I'm pointing out
4 that in this document there is a payment.

5 Did we disclose the incentive payments that are
6 variable based upon performance? No. I don't think we
7 had an obligation to do so as a private company. And
8 obviously as variable payments, they had not been
9 achieved or earned.

10 Q At the time of the interview?

11 A Correct. At the time of the interview or when
12 the deal was signed, which was roughly the same time.

13 Q I just want to clarify again, did you ever do
14 an overall analysis to determine whether overall costs
15 were reduced by MoneyGram when taking into account
16 pre-funding costs and the increase in transaction costs
17 on a per-transaction basis?

18 A I don't know.

19 MR. SOLOMON: She asked you whether you had
20 ever done it.

21 THE WITNESS: I did not.

22 BY MS. WAXMAN:

23 Q Did anyone at Ripple do that?

24 A I don't know.

25 Q Do you think your comments present an accurate

1 picture of the benefit that MoneyGram receives by using
2 ODL when you don't mention the enormous cost increase
3 that incurs on a per-transaction basis?

4 A Which enormous cost increase are you referring
5 to?

6 Q I'm talking about the difference between using
7 traditional payment rails as opposed to ODL?

8 A As I testified earlier, I haven't seen that
9 analysis.

10 Q Well, based on the MoneyGram document.

11 A My testimony is that the MoneyGram document is
12 not comparing apples to apples and so it's an incomplete
13 analysis. So, no, I guess the answer to your question is
14 no, I have not seen that.

15 Q You described savings associated with ODL as
16 massive. Are you talking about savings in connection
17 with pre-funding costs?

18 A I think my testimony this morning and the
19 transcript you're having me read both have, in my
20 judgment, been clear that I'm primarily -- when I think
21 about savings, I'm primarily thinking about the cost of
22 capital associated with reducing the requirements for
23 nostra/vostra accounts. That's what the transcript says
24 also.

25 Q If you take a look at Exhibit --

1 MR. SOLOMON: I think we agreed we would take a
2 short break after this exhibit. We can make it a very
3 short one or we can make this an afternoon break. I
4 think we might as well take the afternoon break since
5 we're an hour 15 in, Daphna, if that's okay.

6 MS. WAXMAN: I just want to finish this topic
7 if that's okay with you.

8 MR. SOLOMON: Well, you just said you wanted to
9 do one more exhibit and we did that exhibit. I think
10 Brad should be able to use the rest room and have a
11 little bit of a break now so we would like to take a
12 break now.

13 MS. WAXMAN: Okay. I'll give you -- how about
14 10 minutes, does that work?

15 MR. SOLOMON: Sure. Absolutely. Thank you
16 very much and appreciate it.

17 MS. WAXMAN: No problem. We're off the record
18 at 2:44.

19 (A brief recess was taken.)

20 MS. WAXMAN: We're back on the record at 2:54.

21 BY MS. WAXMAN:

22 Q Mr. Garlinghouse, while we were off the record,
23 did you have any conversations with the staff?

24 A No, I did not.

25 MS. WAXMAN: Can counsel please confirm.

1 MR. SOLOMON: We confirm that he did not.

2 And Daphna, just noting for the record it's now
3 2:54 and we've been through two of the more than 100
4 documents that we were supplied earlier today, or
5 recently, and our hope is to move through it quickly and
6 I think we can make ourselves available until at or
7 around 6:00 p.m., but we're hoping that that's fine with
8 Mr. Garlinghouse. So again, whatever we can do to
9 facilitate that, we hope you will do the same and move
10 with deliberate speed. Thank you.

11 MS. WAXMAN: We'll try our best.

12 BY MS. WAXMAN:

13 Q Mr. Garlinghouse, I just want to make sure I
14 understand your testimony. When you were talking about
15 cost savings associated with xRapid and ODL, were you
16 only talking about cost savings related to pre-funding
17 costs?

18 A I'm not familiar with which specific time I may
19 have commented about savings you're referring to so I
20 guess I'll -- if you'll point me to that, I can maybe
21 help provide more clarity there.

22 Q Sure, I definitely can but in general, when you
23 were talking about costs savings related to xRapid and
24 ODL, were you only talking about cost savings due to
25 reducing pre-funding costs?

1 A So I think my testimony this morning and
2 certainly I would reiterate I think that a -- in the
3 transcript here, it says a key reason. I think this
4 morning I said a primary reason. I don't know I would go
5 so far as to say that's the only reason.

6 It is my expectation, as I think I've also said
7 in testimony earlier today, that the costs associated
8 with using ODL will continue to reduce as volumes
9 increase, spreads tighten and the fees associated with
10 these products as they scale continue to reduce. And
11 that is what we have seen and I think -- my understanding
12 is we've shared that information with the SEC.

13 Q What information are you talking about that
14 you've shared with the SEC?

15 A I don't -- I probably -- I don't know exactly
16 what has been shared with the SEC so maybe I should stay
17 out of the legal realm of what has been shared.

18 Q Sure. Did anyone at Ripple do an analysis of
19 the overall impact of costs by customers using xRapid?

20 MR. CERESNEY: I thought we covered this
21 earlier today.

22 MS. WAXMAN: I just --

23 MR. SOLOMON: Yeah, I think his response was he
24 didn't know what other customers had --

25 MR. CERESNEY: Yeah, there was that, but then

1 there was also --

2 THE WITNESS: I'm not aware -- I think the
3 question was whether I had done an analysis and I said I
4 hadn't done an analysis, then there was a question of has
5 Ripple done an analysis. I said I'm not familiar with
6 that.

7 BY MS. WAXMAN:

8 Q Did Ripple's customers provide information to
9 Ripple about their costs related to ODL and potential --
10 and actual cost savings?

11 MR. CERESNEY: Just when you say provide
12 information, I just want to make sure, he's already cited
13 public statements and public statements speak for
14 themselves. So do you mean the actual data, like the --

15 MS. WAXMAN: Yes, thank you.

16 MR. SOLOMON: Okay.

17 BY MS. WAXMAN:

18 Q So I'm talking about actual data that you could
19 verify, independently confirm yourself.

20 A No, I've taken what the -- verbal statements
21 I've seen from existing customers at face value. To my
22 knowledge, Ripple has not done any verification or
23 oversight on that analysis.

24 Q Do you know if anyone else at Ripple received
25 actual hard data about costs incurred by customers and

1 actual cost savings from using xRapid?

2 A Not that I can recall.

3 Q If total costs from using ODL outweighed the
4 benefits, pre-funding benefits, would this present a
5 massive cost savings?

6 A I want to make sure I understood the question.
7 If the total costs including the benefits associated with
8 pre-funding outweighed ODL's costs, would that be a
9 massive cost savings? I'm not sure I captured --

10 MR. CERESNEY: Can you restate the question,
11 Daphna?

12 MS. WAXMAN: Sure.

13 BY MS. WAXMAN:

14 Q If the total costs on a per-transaction basis
15 outweighed the pre-funding benefits, does this still
16 present massive cost savings for customers?

17 A No. No, based upon the data today, or based
18 upon the data -- well, actually, I don't even really know
19 the answer to that. The data presented in this MoneyGram
20 analysis last November, if you use that data, then no.

21 I think your question literally -- you're
22 saying a hypothetical question of if the costs here were
23 outweighed, clearly the answer is no. It's a
24 hypothetical question which I'm not sure is grounded in
25 reality.

1 Q We can move on. That's okay.

2 At any point in connection with any of your
3 public remarks regarding xRapid, did you make clear that
4 there were other costs associated with using xRapid other
5 than pre-funding costs?

6 MR. CERESNEY: Wait. I think the pre-funding
7 costs are not associated with using xRapid. Pre-funding
8 costs are what you save by using xRapid.

9 THE WITNESS: Correct.

10 BY MS. WAXMAN:

11 Q Okay. Did you ever talk about transaction
12 costs in connection with xRapid?

13 A I don't know.

14 (SEC Exhibit No. 160 was marked for
15 identification.)

16 Q Okay. Why don't you turn to Exhibit 160 in the
17 binder. Actually --

18 MR. CERESNEY: Which binder?

19 MS. WAXMAN: That exhibit is not in the third
20 party binder.

21 MR. CERESNEY: It's not in this one either.

22 MS. WAXMAN: All right. I can show the video
23 and share it on screen.

24 MR. SOLOMON: Can you identify where it's from
25 before you show it to me?

1 MS. WAXMAN: Sure. It's an interview of Brad
2 on CNN with Julia Chatterley dated September 12th, 2019.
3 If you give me a second, I will pull it up.

4 BY MS. WAXMAN:

5 Q Okay. This is an 11-minute video and I'm only
6 going to show a portion of it. I'm going to show
7 starting from minute 8:30.

8 (Video was played.)

9 THE WITNESS: Daphna, just so you know, we
10 can't hear anything.

11 BY MS. WAXMAN:

12 Q Oh, okay. Thank you very much.

13 Let's see how I can fix that. Let's try again.

14 (Video was played.)

15 BY MS. WAXMAN:

16 Q Can you hear it now?

17 MR. CERESNEY: No. She's moving in slow
18 motion.

19 MR. SOLOMON: I like that tie.

20 THE WITNESS: I feel like I'm wearing the same
21 tie.

22 MS. WAXMAN: Can you see the screen now?

23 MR. CERESNEY: We can see the screen but we're
24 not hearing it.

25 MS. WAXMAN: I think I figured it out. No

1 problem.

2 Can you hear it now?

3 MR. CERESNEY: No. I think it's some sort of
4 speed issue. Again, she's moving very, very slowly.
5 We're not hearing it.

6 MS. WAXMAN: I have a transcript. I'll just
7 show you that.

8 MR. CERESNEY: Okay.

9 MS. WAXMAN: Okay. Can you see the --

10 THE WITNESS: We see that, yes.

11 BY MS. WAXMAN:

12 Q So this is, at the very top, the YouTube
13 website where I pulled the video. This is an image of
14 that page and then if I scroll down, it's marked as
15 Exhibit 160, and then if I scroll down, there is a
16 transcript, and I'm going to direct you to minute 8:30
17 which -- I'm going to direct you to page number 9, line
18 19, starting from there.

19 MR. SOLOMON: Is there any way you can make it
20 a little bit larger? I'm sorry.

21 MS. WAXMAN: No, don't apologize. It's not an
22 ideal situation.

23 THE WITNESS: Just a little bit. I'm in denial
24 about my eyesight.

25 MR. SOLOMON: Oh, there it goes.

1 THE WITNESS: All right.

2 BY MS. WAXMAN:

3 Q I'll just scroll to the right portion.

4 A As I start reading at line 19, where would you
5 like me to read --

6 Q Through page 10, line 19. It just continues a
7 little more.

8 A Okay.

9 Q So you say in the interview that MoneyGram has
10 no sweetheart deal with Ripple.

11 A That's not how I read it actually.

12 Q Okay. How do you read it?

13 A The question I think being asked is associated
14 with what price is MoneyGram buying XRP as part of the
15 ODL flow. When MoneyGram goes to -- and as the documents
16 you've shared with me show -- at Bitstamp, they're buying
17 XRP at the market.

18 This is, again -- you can't see it on the
19 screen right now but I think if you scroll up to the core
20 question, the core question here is, "What price do you
21 sell XRP to to the financial institutions you're dealing
22 with here? Do you give them a discount and is there a
23 lockup?"

24 So I'm using MoneyGram -- at what price is
25 MoneyGram buying XRP. They're buying it at the market.

1 Q Correct. I understand that. But later on you
2 talk about providing discounts to financial institutions
3 who purchase XRP over the counter, correct?

4 A I seem to -- yes.

5 Q And you talk about restrictions that Ripple
6 places on the XRP that is purchased?

7 A Yes.

8 Q And earlier didn't we talk about XRPs that
9 Ripple provided to MoneyGram as transaction fees?

10 A Well, it's my opinion they're conflating two
11 unrelated things. I'm talking about MoneyGram as a buyer
12 of XRP as part of their flows, as part of ODL, to which
13 they don't get a discount and to which there is no sales
14 restriction.

15 Q I understand your distinction.

16 A Okay.

17 Q Did you ever disclose to the market the
18 incentive payments that you provided to MoneyGram?

19 A I think I was asked my earlier. I think my
20 testimony was that, no, as a private company, I don't
21 think we are required to do so when we signed the deal as
22 we're incentive payments based upon performance -- well,
23 even if they weren't, I'm not sure that as a private
24 company we had an obligation to do so.

25 Q Do you think the statement that MoneyGram has

1 no sweetheart deal with Ripple is a little misleading?

2 A That's not my statement. That's not what the
3 statement says.

4 Q You're saying that when MoneyGram moves -- when
5 MoneyGram purchases XRPs in the market, it's not
6 purchasing at a discount?

7 A I think what I exactly said is when MoneyGram
8 is moving money from U.S. dollars to Mexican peso,
9 they're buying at market. I believe that's a factual
10 statement.

11 (SEC Exhibit No. 132 was marked for
12 identification.)

13 Q Okay. I'm going to stop sharing my screen.

14 I just want to quickly move on to Exhibit 132.
15 It's one of the blue documents.

16 MR. CERESNEY: Can you put it on the screen,
17 Daphna?

18 MS. WAXMAN: Sure. And before I do that, I'm
19 going to ask you about the middle email and the email --
20 the email at the top of page 2 and the email on page 1 at
21 the top.

22 BY MS. WAXMAN:

23 Q Can you see the document?

24 A Now I can, yes. Thank you. Okay.

25 Q If you look at page 2 in the middle of the

1 page -- strike that.

2 Do you recall -- the very bottom of page 2
3 talks about a meeting that you participated in with
4 representatives of Western Union in or around May 2018.
5 Do you recall participating in a meeting with Western
6 Union reps then?

7 A I do not recall. It would appear further up in
8 the email that it suggests that maybe I came in for like
9 10 minutes and left.

10 Q I see that. In the top of page 2, it talks
11 about feedback that they provided to Ripple in connection
12 with the pilot of xRapid. Is that your understanding as
13 well of the document?

14 A Yes, that looks like it.

15 Q And earlier today you had testified that you
16 understood that Western Union did not incur any cost
17 savings because the product had matched efficiencies that
18 were already in place?

19 A I believe that was my testimony earlier, yes.

20 Q Did you ever offer to pay -- in number 2, it
21 talks about -- it says that Western Union and Ripple
22 discussed --

23 A Where are you reading? Sorry.

24 Q Top of page 2, number 2.

25 A My top page is, "However, we discussed how they

1 may provide incentives for us to join XRP."

2 Q Correct.

3 A I don't know what that means.

4 Q Did you ever offer to provide Western Union
5 incentives or offer similar arrangement to Western Union
6 like you offered to MoneyGram?

7 A I am not aware of any specific proposals in
8 that regard.

9 Q If you turn to the first page, at the very top,
10 from [REDACTED] dated May 18th, 2018, it says that
11 they believe the cost savings associated with xRapid is,
12 quote, unquote, bogus. Then they say, which they now
13 openly acknowledge.

14 Did you or anyone at Ripple admit to Western
15 Union that claims of cost savings from xRapid were bogus?

16 A I think that this is a characterization that
17 they're choosing to make that, as I testified this
18 morning, the tests which we did during a beta test of the
19 product matched the efficiency of their underlying
20 infrastructure, and they're calling that claims of
21 savings were bogus. I would also go on to say, as I
22 think we went deep on with MoneyGram, I would assert,
23 without full information because this is a limited
24 snippet, that their analysis does not include their own
25 cost of capital associated with the amount of working

1 capital they've parked around the world.

2 Q I'm going to show you another exhibit on the
3 screen now.

4 MR. SOLOMON: Just to clarify the record on
5 this exhibit, are you on this email chain anywhere?

6 THE WITNESS: No.

7 MR. SOLOMON: Anybody ever show this email
8 chain to you?

9 THE WITNESS: No.

10 MS. WAXMAN: This email chain has exhibits
11 WU_Ripple_7414 through 6416.

12 MR. SOLOMON: Daphna, this document is not in
13 the third party binder?

14 MS. WAXMAN: Yeah. And I would play the video
15 for you to make it easier but I just can't because of
16 technical difficulties, but I do have a transcript that I
17 can share on the screen. And I apologize for the delay.

18 BY MS. WAXMAN:

19 Q Okay. Can you see my screen?

20 A Yes.

21 Q Okay. So this is a transcript of an interview
22 that you gave on Business News Network on December 14th,
23 2017, and the transcript begins on page 4, and I want to
24 direct your attention to page 2, line 4 through the end
25 of page 3.

1 (SEC Exhibit No. 158 was marked for
2 identification.)

3 THE REPORTER: And this is Exhibit 158?

4 MS. WAXMAN: Correct. This is Exhibit 158.

5 BY MS. WAXMAN:

6 Q And I can scroll down when you're done reading
7 the first part.

8 A Yep, I'm finished with that first page, or
9 what's on the screen.

10 I'm sorry, can you scroll back up there? Thank
11 you. Okay, I've read through that.

12 Q So on page 3, line 4, you say, "I'm long XRP,
13 I'm very, very long XRP as a percentage of my personal,
14 you know, balance sheet."

15 What did you mean by long?

16 A That I was exposed -- I had economic exposure
17 to the underlying asset XRP and was a long-term believer
18 and holder of the potential appreciation of the asset.

19 Q So you believed that your XRP holdings would
20 potentially increase in price?

21 A Yes.

22 Q Did you view your XRP holdings as an
23 investment?

24 A You know, I'm going to parse the word
25 investment there in that some people consider holding

1 dollars an investment. Some people consider holding the
2 Japanese yen investment.

3 In that context, I consider my holdings in
4 bitcoin an investment and I consider my holdings of XRP
5 something that I have economic interest in and therefore
6 an investment.

7 Q Did you ever intend to use the XRP that you
8 owned?

9 A I -- maybe -- I'm certainly not trying to avoid
10 the question. I have used the XRP I have owned for
11 various payments.

12 Q You have used the XRP that you owned for
13 payments?

14 A That's correct.

15 Q Can you be more specific?

16 A I've made a payment -- the most recent payment
17 I've made is to Representative Emmer of Minnesota as part
18 of a campaign contribution.

19 Q Did you receive anything in exchange for that
20 payment?

21 A I'm not --

22 MR. CERESNEY: Something in exchange from
23 Representative Emmer, is that what you're asking?

24 BY MS. WAXMAN:

25 Q Yeah, you said you used it so -- you said you

1 used it to make a payment. Did you get anything in
2 exchange for that payment?

3 MR. CERESNEY: I think he said he made a
4 contribution to Representative Emmer using XRP. I think
5 that's what he said.

6 Are you asking whether Representative Emmer
7 gave anything in return? Is that the question?

8 MS. WAXMAN: Yes.

9 THE WITNESS: No.

10 BY MS. WAXMAN:

11 Q You state in the video that -- and I want to
12 make sure I showed you the right page. At the time of
13 the interview, did you think XRP was undervalued?

14 A I have no recollection of what I was thinking
15 at that time.

16 Q But you believed that XRP presented a good
17 investment opportunity for yourself?

18 A I think all I'm really saying here is that I'm
19 long XRP.

20 Q And when you say I'm long XRP, what does that
21 mean?

22 MR. SOLOMON: I think you just asked him that
23 question, Daphna.

24 BY MS. WAXMAN:

25 Q Does that mean that you expect XRP's price to

1 go up in value?

2 MR. SOLOMON: You already asked him that
3 question too.

4 THE WITNESS: I -- I think I'm standing by my
5 statement that I'm long XRP and I don't know -- I don't
6 recall what I was thinking about. I was answering the
7 question that was being asked by a reporter.

8 (SEC Exhibit No. 141 was marked for
9 identification.)

10 BY MS. WAXMAN:

11 Q I would like you to take a look at Exhibit 141
12 which is an interview from March 2018. The first page of
13 the exhibit shows the YouTube address where the video is
14 from. And I'll ask you to take a look at page 15, line 3
15 through page 17, line 4.

16 A Sorry, start at page 15, line 3?

17 Q Line 3.

18 MR. CERESNEY: Can you put it up on the screen?

19 MS. WAXMAN: Yeah. It may take -- it's proving
20 a little distracting for me, so I apologize.

21 THE WITNESS: Where am I to read to? I
22 apologize.

23 BY MS. WAXMAN:

24 Q Page 15, line 3 through page 17, line 4.

25 A Okay.

1 Q In March 2018, at the time of this interview,
2 did you believe -- why did you believe that the XRP
3 Ledger was not centralized?

4 A I mean, a host of reasons. The way the XRP
5 Ledger works, there isn't one party that can control the
6 XRP Ledger, as an important measure. I mean, as I'm
7 quoted here, you know, anybody can run a validator. If
8 Ripple, the company, goes away, XRP is going to keep
9 trading. So, I mean -- maybe if you could be more
10 precise in the question, I can do a better job of
11 answering.

12 Q Well, were there any other reasons that you
13 believed that the XRP Ledger was not centralized other
14 than the factors that you previously mentioned?

15 A I mean, in many ways, XRP is far more
16 decentralized than Ethereum or Bitcoin which the SEC has
17 deemed to be decentralized. So I -- I guess I don't know
18 exactly -- when I think about decentralized versus
19 centralized, I think about it in the context of can a
20 small number of actors control the underlying technology.
21 And, you know, as you have seen from proof of work
22 technologies like bitcoin and Ether, and even things like
23 a 51 percent attack, which have happened in Ethereum
24 classic anyway, you know, I think you couldn't do that
25 with the XRP Ledger which I think again is demonstrating

1 its decentralization.

2 Q Is that because there are other non-Ripple
3 validators who are validating transactions on the ledger?

4 A That would be one reason, yes. Ripple runs a
5 minority of the validators on the -- a dramatic minority
6 of the validators.

7 Q And at what point did Ripple -- the number of
8 Ripple validators become a minority?

9 A Years ago. I don't know exactly when.

10 Q Does that predate your involvement with Ripple?

11 A I don't know the answer to that. It may. It
12 also -- just getting to the nuts and bolts -- I think you
13 may have touched on this as part of -- well, I don't know
14 what, when, but I think about how the XRP Ledger works,
15 the key attribute is who in the participants on the
16 network choose to listen.

17 And so it just fundamentally is different than
18 how other blockchains have worked. And so in order for
19 anyone to control the ledger, it's really dependent upon
20 the exchanges as much as anyone as power centers in terms
21 of what they choose to listen to.

22 And so what I don't really understand are the
23 arguments that XRP Ledger is centralized since there is
24 no actor who can control it.

25 Q Was there a time when Ripple controlled more

1 than 50 percent of the validators on the ledger?

2 A I honestly don't know the answer to that. I
3 mean, certainly when the original XRP Ledger was created
4 prior to Ripple being created, then I would imagine, you
5 know, that there were -- I don't know how many validators
6 there were. I would imagine that Jed McCaleb may have
7 controlled all the validators. I'm not sure. I'm not
8 sure during my tenure what percentage of the validators
9 we controlled and when that may have gone below 50
10 percent.

11 Q If Ripple controlled more than 50 percent of
12 the validators for the XRP Ledger, would you consider it
13 centralized?

14 A I think that really depends. The way I think
15 about, you know, China controls more than 50 percent of
16 the bitcoin validators, the equivalent validators through
17 mining. But again, as I said, the SEC considers that
18 decentralized.

19 Q If you look at page 16, line 11 through 22, you
20 state that one misconception is that Ripple could be
21 successful but XRP would not be successful.

22 Why is that a misconception?

23 A Well, I mean, as I articulate here, I as CEO of
24 Ripple, am the most interested party in making sure the
25 XRP ecosystem is successful. It's hard for me to get my

1 head around if Ripple is successful and our goal is to
2 generate liquidity and trust and utility in XRP, those
3 two things seem to be in opposition.

4 Q Did you believe that XRP's success was related
5 to Ripple's success?

6 A I believed and believe that XRP's liquidity
7 definitely impacts Ripple's success as evidenced by the
8 analysis you were showing me with MoneyGram, the world
9 liquidity at the time of the spreads, et cetera.

10 Does that answer the question?

11 Q Sure. Did you believe that Ripple's interests
12 were aligned with XRP's holders' interests?

13 A I mean, the evidence is that that's not always
14 the case. You made me aware there were some proposals in
15 the open source technology community of the XRP Ledger to
16 make changes to the XRP Ledger which we actually
17 opposed -- we, Ripple, opposed -- that went through
18 anyway. So I don't know how to think about -- you know,
19 are in general interests -- I think it would be
20 circumstance-dependent.

21 Q Why do you emphasize Ripple's XRP holdings?

22 A I'm not sure I characterize it as emphasis, but
23 I'm making the same point that I think in my testimony --
24 I said earlier today which is I'm not going to shy away
25 from the fact that we own a lot of XRP and by extension,

1 we are very interested parties in the health and the
2 success of the XRP ecosystem.

3 Q And why is that?

4 A Because for our -- well, as one example and as
5 we've talked about, for our product to be successful,
6 particularly ODL, the more liquidity in the marketplace,
7 the more efficient the products are.

8 Q And if Ripple sold XRP into the market at a
9 higher price, would that benefit the company as well?

10 A You know, Ripple has been I think very
11 consistent and I think I've been very consistent, and our
12 focus is very much a long-term over, you know, many
13 years. The short-term gyrations of the price of XRP I
14 honestly don't pay a lot of attention to. They don't
15 have much bearing on the company. And so -- and by the
16 way, I've said that publicly.

17 (SEC Exhibit No. 144 was marked for
18 identification.)

19 Q I would like you to take a look at Exhibit 144,
20 page 14, line 8 through page 15, line 6.

21 MR. CERESNEY: Can you identify what it is,
22 Daphna?

23 MS. WAXMAN: Sure. It's a YouTube video of a
24 press conference that you gave in Korea in March 2018.

25 THE WITNESS: Yep, I've got it.

1 BY MS. WAXMAN:

2 Q Okay. At the time that you made the statements
3 that I referenced to you in the transcript, did you
4 believe that XRP's value and price was correlated to
5 Ripple's success and news regarding bank adoption of
6 Ripple's non-XRP products?

7 A I'm sorry, I may have missed the question.

8 Q Sorry. I'll repeat it. I wasn't aware I was
9 sharing my screen so I wanted -- I have a lot of screens
10 going.

11 At the time that you made the statements, did
12 you believe that XRP's value and price was correlated to
13 Ripple's success and news regarding bank adoption of
14 Ripple's non-XRP products?

15 A Well, I think my answer now and then would --
16 my answer then was no and my answer -- sorry. My answer
17 then was no and my answer now is no.

18 Q Well, on line -- the question at the top on
19 line -- beginning on line 10 says, "Does that imply that
20 the expansion or growth of Ripple Net is not correlated
21 to the value of the price of XRP? And what is your
22 outlook regarding the price of XRP?"

23 A I'm sorry, I missed the line 10 where you were
24 reading from. Sorry. I was on the wrong page.

25 "Does that imply that the expansion or growth

1 of Ripple Net is not correlated to the value of the price
2 of XRP?"

3 Q And then --

4 A Yeah.

5 Q And then the question goes -- this is a
6 question posed by someone in the audience. And then the
7 question continues and says, "And what is your outlook
8 regarding the price of XRP?"

9 A Yes.

10 Q And then you continue and you say, "I don't
11 forecast the price of XRP. What I point out is that
12 Ripple is very, very interested in the success and health
13 of the XRP ecosystem and will continue to invest in the
14 XRP ecosystem."

15 What did you mean, continue to invest?

16 A Well, I think we've discussed a number of
17 examples today. MoneyGram, market makers, those would
18 all be examples that would come to mind.

19 Q Then you go on to say, "On the first part of
20 the question, I actually think they're very correlated."

21 And going back to the question, the question
22 is, "What is the expansion of or growth of Ripple Net
23 correlated to the value of the price of XRP?"

24 A Yeah, when I read this, what is in my head,
25 oftentimes people have accused Ripple of signing people

1 up to Ripple Net or what you've described earlier as
2 xCurrent, and that that is not using XRP and they have
3 accused us of being not as transparent about that.

4 I'm trying to be very transparent about that
5 and I've tried to be clear that I think if we get a
6 customer using xCurrent for messaging, the ability to
7 cross-sell or upsell them to ODL is very much possible.
8 And so if we don't get them on xCurrent, the likelihood
9 they're going to cross-selling them to ODL goes way down.

10 So the correlation, which I think when I
11 answered the question, the correlation I didn't think
12 about now is when people join the Ripple network or
13 Ripple Net, they don't have to use XRP. Ultimately I
14 think the likelihood is -- and we're actually seeing that
15 play out is that -- we're seeing it play out because at
16 the beginning of Ripple Net, nobody used XRP. Today I
17 think roughly 15 to 20 percent of the transactions across
18 Ripple Net go through ODL. That's the correlation I'm
19 thinking about.

20 To the extent that usage and growth in ODL is
21 good for the XRP ecosystem, that's good for the XRP
22 ecosystem.

23 Q You said when Ripple Net started out, nobody
24 used ODL. When did people start to use ODL?

25 A I think earlier we talked about that and my

1 recollection is we started testing it in 2018, and I
2 think you refreshed my memory that it went live into
3 production in May October.

4 Q So to ask the question again, at the time did
5 you believe that XRP's value in price was correlated to
6 Ripple's success and news regarding adoption of non-XRP
7 products?

8 A I think -- well, I don't know exactly what I
9 thought then. With the benefit of hindsight, I think we
10 have seen that there is not a correlation between the
11 price of XRP and Ripple activity.

12 Q Well, then you answer the question and you say,
13 "I think they're very correlated."

14 A Yeah. I think what I am referring to when I
15 think they're very correlated is the usage of XRP and the
16 usage of Ripple Net.

17 Where I think there is a conflation in the
18 question, when I -- typically I have gotten questions
19 like this in public formats where people are saying, hey,
20 people are using Ripple Net, xCurrent, but they're not
21 using XRP. And I'm saying that ultimately over time --
22 because again, at the beginning of Ripple Net, there was
23 no ODL product. There was no way to use XRP. Our thesis
24 was in kind of betting about where the future is going to
25 go, is like getting customers using Ripple Net, we have

1 the opportunity to upset, cross-sell On-Demand Liquidity
2 because banks and financial institutions don't want to
3 pre-fund accounts. They don't want to put that working
4 capital out there.

5 And so when I think about the correlation, I
6 think of the correlation of Ripple Net to ODL, not -- a
7 non-ODL-using Ripple Net customer over time, there is
8 going to be a correlation there. And again, we've
9 already seen that grow to 15 to -- plus percent of
10 activity on Ripple Net now is through ODL.

11 Q If you look at page 15, line 8 through page 15,
12 line 20, you say, "One last thought of this and the price
13 of XRP, if you will. I'll share with you something I
14 tell the team internally at Ripple. I spend very little
15 time thinking about the price of XRP over three days or
16 three weeks or even three months. I think about if we
17 are successful in building out the product of xCurrent
18 and expanding the number of users around xRapid, the
19 price of XRP will take care of itself over a
20 three-to-five-year period. We're building something that
21 I think can transform a multitrillion dollar problem
22 around how liquidity is managed. If we are successful in
23 doing that, I feel very optimistic about the future."

24 A When I read that, I feel very excited because I
25 think my testimony today reflects the same.

1 Q So again, did you, at the time, believe that
2 Ripple's building out xCurrent xVia would have a positive
3 impact on XRP price at the time of this interview?

4 MR. SOLOMON: Did you say positive impact on
5 XRP price?

6 BY MS. WAXMAN:

7 Q Well, it says the price of XRP will take care
8 of itself. What do you mean by that?

9 A I believe what I mean is the price of XRP is
10 determined by a multitude of factors and price based upon
11 supply and demand, and it will take care of itself over a
12 long arc of time and I don't think about it in the short
13 term.

14 Q And did you think of XRP -- when you said in
15 the price would take care of itself over a long period of
16 time, did you think of XRP as a long-term investment?

17 A I don't know -- I was thinking about it in the
18 context of what is good for Ripple is to have a highly
19 liquid, highly trusted digital asset, highly efficient
20 digital asset in XRP and I think that my comments then
21 and my comments today reflect that.

22 Q And how many customers went from using xCurrent
23 or xVia to use ODL?

24 A In order of magnitude, 20. I mean, I think we
25 publicly announced we've done live protection ODL

1 transactions with 25 or 26 customers. I don't know how
2 many of them kind of went through -- some we sold as both
3 xCurrent and xRapid at the same time and some, you know,
4 went along the journey.

5 (SEC Exhibit No. 143 was marked for
6 identification.)

7 Q I would like you to turn to Exhibit 143 which
8 is a transcript of a CNN interview dated February 17th,
9 2020, and I would like you to take a look at page 13,
10 line 21 through page 14, line 10.

11 A Sorry, page 13 starting at what line?

12 Q 21. 18.

13 A And you want to finish where?

14 Q Line 10, page 14.

15 A Line 10, page 14?

16 Q Yes.

17 A Right. I'm finished. All right.

18 Q Did you compare Ripple to Amazon?

19 A I think I did.

20 Q And why did you compare Ripple to Amazon?

21 A I was making a business strategy comparison.

22 When I first was introduced to Amazon, it was just a
23 bookseller and they competed in the one vertical of
24 selling books. It wasn't called Amazon. It was called
25 Amazon Books. And I think Amazon did a phenomenal job of

1 leveraging its strengths to enter into other vertical
2 markets, and I think in many ways when I think about
3 blockchain technologies, there are a number of other use
4 cases beyond cross-border payments.

5 Ripple has decided to focus on cross-border
6 payments. Part of our underlying technology around kind
7 of native to our tech stack is the XRP Ledger, which is a
8 very efficient technology and could be used in other
9 vertical use cases. And in that same comparison, books
10 is to Amazon as cross-border payments is to Ripple.

11 Q On line 10 -- on line 5 on page 14, you say,
12 "We view ourselves as a blockchain infrastructure
13 company, the first vertical we've done is cross-border
14 payments. We want to make sure we're winning in
15 cross-border payments before we do another vertical, but
16 we will certainly do other verticals leveraging these
17 technologies."

18 That statement is from February 17th, 2020.
19 Does Ripple still plan to pursue other verticals other
20 than cross-border payments?

21 A Yes.

22 Q Which ones?

23 A I don't know.

24 Q Has it started to pursue other verticals?

25 A Not in any meaningful way. We've done research

1 and will continue to evaluate insurance, or people pitch
2 us on all kinds of things, trade finance. I get emails
3 from people outside. I get people from inside about
4 other vertical opportunities but we've not made any
5 decisions.

6 Q I want to turn to -- strike that.

7 Does Ripple have any plans to wind down
8 xCurrent or xVia?

9 A Well, we don't use those product names anymore
10 but -- so we have already wound down use of those product
11 names but not the capabilities that underlie them.

12 Q I want you to turn to Exhibit 144, which we
13 looked at earlier, which is a transcript of a press
14 conference that you gave in South Korea in March 2018.
15 And I want to direct you to page 24, line 8 through page
16 25, line 2.

17 A Yes.

18 Q You're smiling. Any reason?

19 MR. CERESNEY: That would get into privilege.

20 THE WITNESS: Yes.

21 (Laughter.)

22 BY MS. WAXMAN:

23 Q Okay. Fair enough.

24 You state, "I almost never use the expression
25 cryptocurrency. And the reason is today, these aren't

1 currencies."

2 Are you talking about XRP?

3 A I'm making a broad observation and, you know,
4 we had a discussion early this morning about defining
5 blockchain and, you know, when you can actually say
6 blockchain. Currencies is another word where, as a
7 nonlawyer, when I think about the word currencies, I
8 think about the consumer use case of being able to spend
9 currency.

10 Now, I can use XRP as a consumer currency. I
11 gave you an example earlier today of it not benefitting
12 but making a contribution to Congressman Emmer's
13 campaign. In general, though, I think those who claim
14 and believe that cryptocurrencies are going to replace
15 fiat currencies of G20 markets, I don't buy it. I think
16 the dollar works really, really well. I think the pound
17 works well. I think the yen works, euro, et cetera.

18 Now, for purposes of how Ripple is using XRP as
19 an institutional bridge currency, yeah, it's a currency.
20 I think there is, you know, kind of semantic definitional
21 issues in terms of how I, as a layperson, think about the
22 word currencies and how some in the crypto community
23 think cryptocurrencies are going to evolve.

24 Q So is it your understanding that the use of XRP
25 and xRapid is -- you know, in that context, XRP is a

1 currency?

2 A Yes, I believe in that context, it would fit a
3 classic definition of a currency.

4 Q And when do you think XRP -- you know, this
5 statement, you say -- I interpret this to mean that
6 you're saying XRP is not a currency. So when do you view
7 XRP not as a currency?

8 A As I was just describing, I think those who
9 consider cryptocurrencies to be solving a consumer use
10 case, in G20 markets, the dollar, the euro, the yen, pick
11 your favorite, but I don't really see what problem a
12 digital asset is solving in that context. So in the
13 consumer kind of parlance, layperson's use of the word
14 currency, I don't think about any cryptocurrency as a
15 currency. I think as you have seen the way Ripple is
16 using XRP is unequivocally a bridge currency as we
17 discussed through the ODL flows.

18 (SEC Exhibit No. 137 was marked for
19 identification.)

20 Q I would like you to turn to Exhibit 137 which
21 is a video of an interview you gave on CNBC on January
22 19th, 20 -- the date on the exhibit says January 19th,
23 2020 but I believe the interview is from June 2018.

24 A Okay.

25 Q And I would like you to take a look at page 3,

1 line 21 through page 5, line 3.

2 A Okay.

3 Okay.

4 Q On line 11 and 12 you state, "What we have
5 found is that xRapid is saving them between 40 and 70
6 percent compared to their existing tools for managing and
7 spreading liquidity around." Who are you talking about is
8 saving 40 to 70 percent?

9 A I believe -- my recollection is that one of our
10 customers, could be [REDACTED] has spoken publicly about
11 their savings and referenced that number.

12 Q So is that in reference to savings that [REDACTED]
13 incurred in connection with xRapid?

14 A I believe that that is what I'm referencing.

15 Q Did [REDACTED] provide you hard data confirming
16 costs that they incurred in connection with xRapid and
17 cost savings from xRapid?

18 A Not that I'm aware of.

19 Q Do you know the basis for your statement?

20 A My recollection is the basis for my statement
21 is observations that were made by the CFO of [REDACTED] at
22 the time.

23 Q If you move up, it's talking about the previous
24 paragraph. It says, "We launched xRapid, the product we
25 were just talking about. We launched that as a beta

1 product late Q3, early Q4 of last year. We announced our
2 first pilot customers on xRapid in late Q4. We announced
3 six more in Q1."

4 Are you referring to cost savings incurred by
5 customers who highlighted xRapid? Are you talking about
6 cost savings in the aggregate? Because you don't mention
7 [REDACTED] in the -- I don't see [REDACTED] referenced in
8 relation to your comment.

9 A You know, I don't -- this is two-plus years
10 ago. I don't remember specifically what I'm referring
11 to. My recollection is that that number, 40 to 70
12 percent is coming from the CFO of one of the customers we
13 had worked with.

14 Q But it sounds like you're referencing cost
15 savings that customers told you about in connection with
16 pilots. Is that your understanding or reading of the
17 interview?

18 A My reading is that we found that xRapid can
19 save a customer money and I'm referencing 40 to 70
20 percent. Where exactly that came from, I don't recall.
21 My recollection, my loose recollection is that there was
22 a CFO of [REDACTED] who spoke publicly about some of the
23 savings they have seen.

24 Q Did anyone at Ripple do any analysis in
25 connection with ODL pilot and cost savings?

1 A I don't know.

2 Q Does the cost savings you cite include any
3 rebates, guarantees or incentive payments that you've
4 provided to [REDACTED] or any other customer that piloted
5 xRapid?

6 A I don't know.

7 Q Did you provide rebates, guarantees or
8 incentive payments to [REDACTED] in connection with the
9 pilot?

10 A I don't recall.

11 Q Did [REDACTED] ever sign on to xRapid?

12 A Yes.

13 Q As a customer?

14 A Yes.

15 Q And does Ripple provide payments in the form of
16 rebates, guarantees or incentives in connection with the
17 contract?

18 A I don't recall.

19 Q I would like to show you an exhibit from the --

20 MR. SOLOMON: I'm sorry to interrupt you. It's
21 a little after 4 o'clock. This might be a good time for
22 us to take a break. It could be another short break,
23 right?

24 MS. WAXMAN: Okay. How about 10 minutes?

25 MR. SOLOMON: Thank you.

1 MS. WAXMAN: We're off the record at 4:03.

2 (A brief recess was taken.)

3 MS. WAXMAN: We're back on the record at 4:15.

4 BY MS. WAXMAN;

5 Q Mr. Garlinghouse, while we were off the record,
6 did you have any conversations with the staff?

7 A I did not.

8 MS. WAXMAN: Will counsel please confirm?

9 MR. SOLOMON: Confirmed.

10 MS. WAXMAN: Thank you.

11 BY MS. WAXMAN:

12 Q If you go back to Exhibit 137 where we were
13 talking about earlier your comment that xRapid saves
14 customers between 40 and 70 percent, when you said that,
15 are you talking about pre-funding costs? Are you taking
16 pre-funding costs into consideration?

17 A I don't recall.

18 Q Okay. Take a look at Exhibit 143, page 15,
19 line 16. This is from the CNN interview from 2020.

20 Ms. Chatterly says -- the question is, "What's
21 going on with the price of XRP? And why did Mike
22 Novogratz weigh in on this and suggest it was going to be
23 another bad year in 2020?"

24 And then you say, "You know, I think the short
25 answer is that Mike doesn't fully follow Ripple very

1 closely. There's a lot of things he wasn't -- he wasn't
2 aware of some of the stuff we're doing with MoneyGram. I
3 think, you know, he -- if he watches this, he'll be
4 surprised to hear that we had 54 million of ODL flows
5 last week."

6 Did you think at the time of this interview
7 that increases in ODL flow had an impact on XRP's price?

8 A I think my impression has been the activity on
9 ODL, to the extent it's -- to the extent I can, as a
10 layperson, nonmathematically identify any correlations
11 between ODL activity and the price of XRP, it's a
12 negative one.

13 Q Then why did you refer to Ripple -- MoneyGram's
14 ODL volumes in response to that question about XRP's
15 price and Novogratz' comments that price was going to
16 be -- it was going to be another bad year in 2020?

17 A I don't know what Mike is exactly referencing.
18 I know that -- I recall someone at Ripple ended up
19 speaking to Mike and what I found surprising is he's a
20 shareholder in the company and was largely unaware that
21 we had even signed a deal with MoneyGram.

22 So, you know, I think in my head, what's going
23 on in that conversation is more than just answering the
24 question being asked. It's more thinking about Mike
25 Novogratz, who likes to talk and pontificate about all

1 things crypto and, being a shareholder in Ripple, has
2 amazingly little familiarity about what Ripple is doing.

3 Q If Mike had known about the deal with
4 MoneyGram, do you think he would have a different
5 perception about the direction of XRP's price?

6 A I don't know.

7 Q Well, isn't that what you're suggesting when
8 you answer the question?

9 A What I'm trying to convey is that when I was
10 asked this question, I -- and this is recent enough that
11 I can actually remember -- is that with Mike Novogratz, I
12 was surprised how little he knew about what was going on
13 with Ripple the company. I can understand why, the way
14 the question was answered, it might convey that. I think
15 the relationship that Ripple has with Mr. Novogratz is
16 surprisingly complicated given that he's a shareholder.

17 Q Why reference anything related to Ripple or ODL
18 in connection with the question if Ripple doesn't have an
19 impact on XRP price?

20 A Well, I think -- I mean, I feel like I can say
21 with some certainty that, as I look back over the last X
22 years, Ripple's ability -- my ability to predict what has
23 impacted the price of XRP is terrible. I mean, it seems
24 to me that the price of XRP is largely driven by the
25 whims of the crypto markets, traders and frankly, guys

1 like Mike Novogratz who are not -- you know, he's a
2 trader, not, quote, unquote, an investor and tends to
3 look for trades and arbitrage.

4 Q I would like to show you an exhibit in the
5 other binder.

6 A Okay.

7 (SEC Exhibit No. 224 was marked for
8 identification.)

9 Q If you give me a second, I'll tell you the
10 number. Just one second. It's Exhibit 224.

11 A Okay. I have it open.

12 Q Why don't you take a look at it for a minute
13 and let me know when you're done. Please turn to page 36
14 of the presentation.

15 A Yep, I have it open.

16 Q What does the slide convey in your opinion?
17 What is on the slide?

18 MR. SOLOMON: Daphna, do you mind just asking
19 him if he's seen this, if he's -- just some of the
20 predicate questions? I'm sorry.

21 MS. WAXMAN: Sure. Thank you very much.

22 BY MS. WAXMAN:

23 Q So what is Exhibit 224?

24 A It appears to be maybe a quarterly deep dive
25 about three years ago, just shy of three years ago, about

1 xRapid. So it's before obviously it was in beta or alpha
2 or anything, so it was just kind of a preview of here's
3 where we are, here's where we're going with the product,
4 is my guess.

5 Q And have you ever seen this document before?

6 A I don't recall.

7 Q Have you ever seen any iterations of this
8 document?

9 A I don't recall.

10 Q Do you know who prepared this document?

11 A I do not, no. No, I don't know. No.

12 Q Well, first of all, if you turn to slide 36,
13 the title of the slide says xRapid payment demand can
14 lead to XRP price appreciation. And there is a -- kind
15 of a visual showing that -- that kind of shows that's --
16 that lends itself to that statement.

17 Do you know, did people at Ripple believe that
18 increased payment demand, increased ODL volume could lead
19 to XRP price appreciation as evidenced by this slide in
20 Exhibit 224?

21 A It would appear to me that whomever created
22 this slide thought that could potentially happen as the
23 headline says it can lead to price appreciation. I don't
24 know who created the slide or what they thought they
25 might have hoped would happen, but the slide, as the

1 headline says, seems to suggest that it could or can lead
2 to XRP price appreciation.

3 Q Was that something that people were thinking
4 about at the time, or believed?

5 A Well, we certainly think about the value in XRP
6 and price is component, but we think about, as we've said
7 multiple times today, around liquidity as a more
8 important factor because that is -- drives the success
9 and the economic efficacy of ODL.

10 Q But to answer my question, did people at the
11 time believe XRP -- increase in XRP payment demand would
12 lead to an appreciation in XRP price?

13 A Well, to be fair, as you're pointing out,
14 someone at Ripple clearly did. So if your question is
15 did someone at Ripple think that someone created this
16 slide, so I suppose someone thought that might -- that
17 was a hypothesis that existed.

18 Q Was that a belief shared among authorize than
19 one person at Ripple?

20 A I don't know. When I have thought about the
21 success of what is now called ODL, and as we have
22 discussed today, I have thought about liquidity first and
23 foremost as a critical component.

24 Q In Q4 2017, which is -- I understand the date
25 on the PowerPoint, did you believe that xRapid payment

1 demand could lead to XRP price appreciation?

2 A I don't know what I thought in Q4 2017.

3 Q Did you have any thoughts about how ODL --
4 increased ODL demand could impact XRP price?

5 A The only thoughts I have is based upon some of
6 the interviews you have refreshed my recollection with
7 during the course of the day today, which seems to -- the
8 interviews certainly seem to suggest that I thought that
9 I was focused on liquidity of the XRP ecosystem first and
10 foremost.

11 Q And why was liquidity something that you
12 focused on first and foremost?

13 A Well, as we discussed in the analysis with
14 MoneyGram, liquidity creates tighter spreads. Tighter
15 spreads creates a more efficient tool for cross-border
16 payments.

17 (SEC Exhibit No. 221 was marked for
18 identification.)

19 Q I would like you to take a look at Exhibit 221.

20 A Okay.

21 Q Just take a moment to look at it, to read it
22 over and let me know when you're done.

23 A Okay.

24 Q Do you recognize what's been marked as Exhibit
25 221?

1 A I recognize it in concept, not necessarily
2 specificity.

3 Q What is Exhibit 221?

4 A It is a blog post on an internal blog we use
5 at -- I'm sorry, an external log we have at Ripple called
6 Insights that we use to comment publicly on various
7 topics.

8 Q And it says that Asheesh Birla drafted this.
9 Did you review the materials before it was posted
10 publicly?

11 A Not to my knowledge.

12 Q On the second page, third paragraph, it talks
13 about cost savings from -- to financial institutions
14 using xRapid and conclusions that the company had come to
15 regarding cost savings from customers piloting xRapid.
16 And it says, "For payments in the critical remittance
17 corridor between the U.S. and Mexico, financial
18 institutions using xRapid saw savings of 40 to 70 percent
19 compared to what they normally pay foreign exchange
20 brokers."

21 This doesn't reference cost savings related to
22 lack of -- cost savings related to pre-funding or not
23 needing to pre-fund. Did you understand that the 40 to
24 70 percent figure was related to cost savings on a
25 transaction based from transactions?

1 MR. CERESNEY: I'm sorry, he didn't write this
2 blog post. Do you mind just repeating the question that
3 you asked him? I didn't understand.

4 BY MS. WAXMAN:

5 Q Sure. The sentence refers to cost savings and
6 it doesn't reference cost savings from pre-funding. It
7 seems to say cost savings as compared to -- cost savings
8 from FX fees. Is that your understanding as well?

9 A As I mentioned, I am not the author nor do I
10 recall reading it. I can only interpret what -- the same
11 thing that I'm reading it now, maybe for the first time.
12 So I don't have a lot to discern other than what's on the
13 piece of paper.

14 (SEC Exhibit No. 239 was marked for
15 identification.)

16 Q Okay. If you would turn to Exhibit 239.

17 A Yes, I am there.

18 Q And just if you wouldn't mind reading it to
19 yourself and let me know when you're finished.

20 A Okay.

21 Q In the middle of page 2, you talk about -- the
22 paragraph that begins, "We signed 11 xRapid production
23 customers." It says, "We signed 11 xRapid production
24 customers in 2018 and brought three live in Q4 alone.
25 Early customer results report no wire fees (as opposed to

1 25 to 35 per payment previously), 10 times lower FX
2 costs, and payments in two minutes."

3 Did you have an understanding at the time that
4 you wrote this that xRapid provided 10 times lower FX
5 costs to customers?

6 A I would imagine I had an understanding at the
7 time of whomever was participating in helping me draft
8 this had parsed some data. I have no reason to believe
9 that that wasn't coming from a grounded place but, you
10 know, I think depending upon what customer we're talking
11 about, FX costs from MoneyGram as the second largest
12 remittance company on the planet. Might be very, very
13 different for a player like [REDACTED] that is just getting
14 started.

15 Q Do you know of any analysis regarding lower FX
16 costs that Ripple did?

17 A I don't off the top of my head, no.

18 Q We talked about payments that Ripple made to
19 ODL customers under, you know, work orders and previously
20 you mentioned that Ripple paid certain incentives and it
21 also provided -- we saw in the MoneyGram document --
22 rebates.

23 What was the purpose of the rebate?

24 A I mean, I guess my first question would be
25 which rebate specifically? As I think I testified

1 earlier today, I don't really parse rebates versus
2 incentives. I kind of view it as if there is a flow of
3 funds back to a customer, overall I think of that as an
4 incentive. But if there is a specific rebate you're
5 wondering about, I would be happy to try to address it.

6 Q Did the rebates reimburse the customer when the
7 FX cost was worse than spot?

8 A Without looking at a specific agreement, it
9 would be I think difficult for me to comment on that
10 specifically.

11 Q If you go back to Exhibit 224, page 28.

12 MR. SOLOMON: Just so you know, you can keep
13 going but if you're seeing some of us dropping off, there
14 is something going on with WiFi. As long as you can see
15 Brad, we can hear you but I just wanted to let you know
16 that for the record. Sorry.

17 MS. WAXMAN: That's okay. I got notification
18 that Andrew is no longer in the meeting. Is he no longer
19 here?

20 THE WITNESS: He is in the room, just to be
21 clear.

22 MR. CERESNEY: I am here. Something is going
23 on with the WiFi.

24 THE WITNESS: Does that work?

25 MR. CERESNEY: Yeah.

1 THE WITNESS: That might be the issue. There.

2 All right. But we can keep going.

3 BY MS. WAXMAN:

4 Q So if you turn to Exhibit 224, page 28.

5 A Yes.

6 Q So it talks about -- the title of the slide is
7 Ripple to Offer FX Rate Guarantees. When did Ripple
8 offer rate guarantees?

9 A I don't recall.

10 Q Did Ripple offer --

11 A As a macro observation, the rate guarantees
12 would be something we -- you know, customers might be
13 averse to -- concerned about adopting xRapid because of
14 potential volatility in FX rates which you're seeing in
15 that chart. And so by removing that risk and getting
16 customers on board and getting kind of that flywheel we
17 talked about earlier this morning going, we were able to
18 get the momentum going which actually also reduces the
19 volatility which means there's fewer needs for rate
20 guarantees.

21 Q Does this chart show that at certain times, FX
22 costs through xRapid were worse than spot?

23 A Yes. It also shows sometimes it's better than
24 spot.

25 Q Yes. Would customers use xRapid if Ripple

1 didn't provide these rate guarantees?

2 A Well, I mean, I think, you know, this is a
3 document from 2017 and I think, you know, what we have
4 seen is that as you get going, as customers -- well, as
5 the markets get more mature and my prediction would be if
6 you looked at this same chart today instead of for July
7 2017 through October 2017, but looked at it, you know,
8 today, you would see much less variability --

9 MR. SOLOMON: I think her question was whether
10 customers would still use xRapid ODL without the rate
11 guarantees.

12 Wasn't that your question, Daphna?

13 MS. WAXMAN: Yes, it was. Thank you.

14 THE WITNESS: My belief and recollection is the
15 answer is yes because we certainly, as we sign up
16 customers, to my -- I do not believe that every customer
17 we sign to xRapid or now ODL has rate guarantees but I
18 don't -- I would have to review all the contracts to know
19 that definitively.

20 BY MS. WAXMAN:

21 Q So your testimony is they would use the product
22 even though, on certain transactions, they were getting
23 worse rates than spot?

24 A My testimony is that as this chart shows,
25 there's sometimes they're getting better rates than spot,

1 sometimes they're getting worse rates than spot, and I
2 think that anybody customer who would look at the whole,
3 you know, this chart doesn't mathematically show what the
4 net impact is. I think most customers would look at
5 holistically.

6 I do think in early time, in getting customer
7 adoption and market activity, offering what I'll just
8 call incentives -- rate guarantees, incentives, rebates
9 are all kind of the same bucket for me -- getting them
10 comfortable and moving forward, it would have been the
11 goal at the time. And as we're able to demonstrate
12 through time that the FX rate is closer to spot,
13 particularly over the holistic view, that that would not
14 be a barrier to adoption.

15 Q But when the FX rate is worse than spot, Ripple
16 guarantees -- pays them the difference?

17 A I would have to -- we would have to go contract
18 by contract and I wouldn't know top of mind which ones we
19 have rate guarantees on and which ones we don't.

20 Q Does Ripple publicly disclose the fact that it
21 provides rate guarantees to customers?

22 A No.

23 Q Why not?

24 A Because we're a private company. We have no
25 obligation to do so. I mean, the irony of the question

1 to me is that Ripple is the most transparent company in
2 the crypto space by like an order of magnitude and, you
3 know, I don't think, as a private company, we have any
4 requirement to disclose those details and so we don't.

5 Q Did you earlier -- did you testify earlier that
6 you were focused as CEO on increasing Ripple's
7 transparency in relation to XRP and Ripple's XRP
8 products?

9 A You said SEO at the beginning of that question.

10 Q Sorry, I meant CEO.

11 A Oh. Yes, I certainly am a big public advocate
12 of more transparency in the crypto marketplace.

13 Q Wouldn't the fact that at times the rate
14 through ODL is worse than spot, isn't that valuable
15 information?

16 A It's also valuable information that sometimes
17 it's better than spot.

18 Q Did you ever disclose anything about the rates
19 that customers received in connection with ODL?

20 A I'm not aware that we have any public
21 statements about the rates. We may share with customers
22 some of those things but I'm not aware that we've made --
23 well, by the way, I shouldn't be so certain of that. I
24 am not aware. We may have made statements about some of
25 that somewhere.

1 Q Have you heard of the term slippage?

2 A I have heard that term.

3 Q And what does that refer to?

4 A My layperson's understanding is, you know,
5 maybe spreads and slippage are, in my loose definition,
6 kissing cousins. I can say that as a Kansan.

7 Q Thank you but what is your understanding of the
8 term slippage in the context of ODL?

9 A I think of them as -- slippage as related to
10 spreads and if markets are imbalanced in some way, you
11 might have slippage in bid-ask dynamics in a market.
12 That is my layperson's understanding.

13 Q We were talking about guarantees that Ripple
14 provides when the FX rate is worse than spot. Does it
15 also provide guarantees if the implied rate is worse than
16 the executed rate in connection with ODL?

17 A I am not familiar off the top of my mind with a
18 specific contract on that point.

19 (SEC Exhibit No. 146 was marked for
20 identification.)

21 Q I would like you to turn to Exhibit 146 in the
22 third party binder.

23 A I'm there.

24 Q Sorry. If you could just give me one second.

25 For the record, Exhibit 146 is an interview you

1 provided in March 2018 on CNBC, and if you take a look at
2 page 2, line 3 through line 12.

3 A Line 3 through line 12 on page 3, is that
4 right?

5 Q Page 2.

6 A Page 2. My apologies.

7 MR. CERESNEY: Page -- I'm sorry.

8 BY MS. WAXMAN:

9 Q I'm talking about the transcribed pages.

10 A Okay. Lines 3 through 12, first paragraph.

11 Q Yes, correct. You say, "Early on Ripple, the
12 company, took the point of view of look, how do we use
13 XRP to solve an institutional use case. Our goal hasn't
14 been to go out and curry favor with speculators. It's
15 really been to solve a big problem around how payments
16 flow cross-border for banks, for payment providers.
17 We've been very fortunate by focusing on that segment and
18 signing up really over a hundred customers now ranging
19 from some of the largest banks in the world to, you know,
20 small banks."

21 Why do you say that Ripple's goal hasn't been
22 to go out and curry favor with speculators?

23 A I think particularly during that time per,
24 there was a lot of rampant speculation in the crypto
25 markets. And, in my judgment, particularly in the ICO

1 market, some were aggressively trying to court
2 speculative interests in various digital assets and I
3 think we have tried to clear about -- we're trying to
4 solve an institutional use case.

5 As I think you're seeing through a period of a
6 couple of years of various media transcripts and what
7 have you, I think we've been pretty consistent with how
8 we're approaching that.

9 Q At any point, did Ripple prioritize initiatives
10 to grow speculative trading in XRP?

11 A I don't recall any projects to prioritize
12 speculative trading in XRP.

13 Q In Q2 2017 and Q1 2017, was there discussion
14 amongst Ripple employees to increase speculative trading
15 in XRP?

16 A I don't recall.

17 Q Could you turn to the other binder? I'll let
18 you know what exhibit in a second. One moment. Sorry
19 about that.

20 A No problem.

21 (SEC Exhibit No. 198 was marked for
22 identification.)

23 Q Exhibit 198.

24 A Okay.

25 Q What is Exhibit 198?

1 A It appears to be an email from Patrick Griffin
2 to me with the subject line of Q2 XRP plan update.

3 Q And who is Patrick Griffin?

4 A Patrick Griffin was employed by Ripple for
5 five-ish years, holding a number of positions in kind of
6 strategy, business development, things like that. Sales.
7 He ran sales for a while too.

8 Q Did he report directly to you?

9 A Not originally. He ended up reporting to me I
10 guess probably when I became CEO.

11 Q During this time period in March 2017, did he
12 report directly to you?

13 A Yes.

14 Q And does this refresh your memory whether there
15 was an internal priority to broad XRP speculative trading
16 volume in or around that time?

17 A Based on the first two lines, it appears to me
18 that, yes, he was working on projects to drive XRP
19 speculative trading volume.

20 MR. SOLOMON: Her question was did it refresh
21 your recollection about people talking inside the company
22 about speculative trading volume of XRP. I just want you
23 to be precise when you're answering her question and not
24 a --

25 THE WITNESS: It doesn't actually -- you know,

1 I get a lot of emails per day. I don't recall this
2 email. I don't recall XRP speculative trading volume
3 being a priority for the company.

4 BY MS. WAXMAN:

5 Q Did you ever discuss with anyone at the company
6 the goal of increasing XRP speculative trading volume?

7 A I don't recall.

8 Q Was that a priority for the company in 2017?

9 A I don't recall.

10 Q Sorry. One second.

11 When did Ripple put its XRP holdings into
12 escrow?

13 A December of 2017, I believe.

14 Q Did you have any involvement in that decision?

15 A Yes.

16 Q What was your involvement?

17 A I think I was the CEO at the time, yeah. I was
18 the CEO, so I'm sure ultimately -- I mean, I'm sure there
19 were a series of recommendations made and I'm sure I
20 asked various questions, but ultimately that was my
21 decision.

22 Q Why did the company decide to put its XRP
23 holdings into escrow?

24 A From my point of view -- and maybe this is --
25 my recollection, there was a lot of misinformation and

1 those who were I think spreading misinformation about
2 Ripple's behavior and potential impact on the XRP market,
3 and it was important to me that we remove that kind of
4 speculation.

5 My viewpoint at the time, I remember saying
6 unit may be in various emails, was that the -- it would
7 not be in our best interests to be bad actors in XRP
8 markets.

9 As certainly we've discussed earlier today, our
10 goal has been and is today to be a constructive actor and
11 not impact the price of XRP one way or another. So to
12 engage in -- so I never looked at it as, well, we would
13 never aggressively sell XRP anyway, and so putting them
14 in -- putting the XRP in escrow, in a time-sealed escrow,
15 seemed a little bit like, okay, we can do that. And I
16 think that removed some of the misinformation in the
17 marketplaces.

18 Q Was that a big decision for Ripple?

19 A Yeah, for sure.

20 Q Why?

21 A Well, you're reducing flexibility of an asset
22 the company owns. It's valued by, you know, I don't
23 remember what the price at the time was but it certainly
24 was hundreds of millions or more, and if you're locking
25 that up, that's a big decision for the company to make.

1 Q Did the company believe that the escrow
2 announcement or the announcement that it intended to put
3 its holdings into escrow would increase speculative
4 trading in XRP?

5 MR. SOLOMON: Did you hear the question?

6 THE WITNESS: Did the company believe that
7 putting --

8 MR. SOLOMON: Did the company believe. I just
9 want to make sure --

10 MS. WAXMAN: I'll ask a new question.

11 BY MS. WAXMAN:

12 Q Did you believe that the escrow announcement
13 would increase speculative trading in XRP?

14 A I don't recall.

15 Q Did anyone at the company have that belief?

16 A I'm sure that there's some that thought that --
17 had that believe. I mean, I think others outside of
18 Ripple had that belief.

19 Q Did you discuss with anyone their beliefs that
20 the escrow announcement would help increase speculative
21 XRP trading?

22 A I don't recall any specific conversations.

23 Q Did you believe that the escrow announcement
24 would lead to an increase in XRP price?

25 A I don't recall.

1 Q Did anyone at the company believe that the
2 escrow announcement would lead to an increase in XRP
3 price?

4 A I expect there's someone who did, yes.

5 Q Did you ever discuss that belief with anyone at
6 Ripple?

7 A I don't recall. Well, let me restate that. I
8 don't recall discussing it prior to making the decision.
9 After making the decision, I recall discussing with one
10 particular employee who wanted compensation changes
11 because he felt that it had, I think that's not clear to
12 me.

13 Q And what employee are you talking about?

14 A A gentleman named Miguel Viaz.

15 Q So you discussed the impact of the escrow
16 proposal on XRP's price after -- at what point?

17 A We discussed his belief about the impact of the
18 escrow on the price of XRP.

19 Q And are you talking about the announcement that
20 Ripple made regarding its plans to put its XRP holdings
21 in escrow?

22 A I think that's fundamental to what the actual
23 conversation was because depending upon what you believe,
24 you're going to -- I think he painted a picture that the
25 announcement did affect the price. I think -- it's been

1 a long time but my recollection was that the price of XRP
2 then and continues to be highly correlated with what's
3 going on in the overall crypto market, and the
4 performance tends to be much, much, much more correlated
5 with what the rest of the crypto market is doing as
6 opposed to any particular event happening on behalf of
7 Ripple.

8 Q Did you have a specific understanding of the
9 impact of the May 2018 announcement about the escrow on
10 XRP's price?

11 MR. SOLOMON: I'm sorry, did he have a specific
12 what? I just missed the first part of it.

13 MS. WAXMAN: Understanding.

14 MR. SOLOMON: Uh-huh. Of?

15 MS. WAXMAN: Of whether the announcement about
16 Ripple's plans related to the escrow had an impact on
17 price, XRP price.

18 THE WITNESS: It -- sorry. Now that we've gone
19 through it, the high order question was did I have a
20 perspective on whether the announcement did?

21 BY MS. WAXMAN:

22 Q Did you have any understanding that the
23 announcement impacted XRP's price?

24 A I did not.

25 (SEC Exhibit No. 203 was marked for

1 identification.)

2 Q I would like you to take a look at Exhibit 203.

3 A Okay, I'm there.

4 Q What is -- do you need a minute to look at it?

5 A Would you like me to read the whole proposal?

6 Q Yeah, if you don't mind.

7 A Okay.

8 Q Do you recognize what's been marked as Exhibit
9 203 and the escrow proposal that's referenced in 203?

10 A Do I recognize it? No. Do I acknowledge that
11 it's an email that I received in 2017? Yes.

12 Q What is the proposal that's in Exhibit 203?

13 A It is to lock up the XRP Ledger's escrow
14 feature, 55 billion units of XRP.

15 Q And did someone send you the proposal?

16 A Yes.

17 Q And who sent it to you?

18 A Patrick Griffin.

19 Q And do you know who drafted the proposal?

20 A I do not.

21 Q On the first page, it talks about the
22 objectives related to the proposal. It says -- and I'm
23 in the middle of the page on the first page of the
24 attachment. It says, "Generate at least two times more
25 2017 XRP bookings than currently forecast. Stimulate

1 immediate increase in volume and price appreciation. And
2 accelerate needed liquidity to support payment flows."

3 Did you agree with the objectives that are in
4 the exhibit?

5 A I have no recollection of whether or not I
6 agreed with the objectives at the time.

7 Q I apologize if I asked this earlier. What
8 objective did the company hope to achieve by establishing
9 the escrow?

10 A The objective I subscribed to as CEO at the
11 time -- CEO, I think -- was removing this kind of
12 overhang that those who were skeptical about what Ripple
13 was doing, those who were skeptical about the XRP market,
14 I felt it was, you know, an unfounded concern that Ripple
15 would ever do things to hurt the XRP market by virtue of
16 our supply or the potential introduction of supply to the
17 XRP market. So my overarching goal was to remove that
18 what I'll call thud, the misinformation from the broader
19 XRP markets.

20 Q When you say -- when you use the term skeptics,
21 who are you referring to?

22 A Those in the crypto community who were not --
23 who had a particular belief about their own projects. I
24 mean, oftentimes they're -- you know, bitcoin maximalists
25 are an example of people who have generally been skeptics

1 of Ripple.

2 Q Are you talking about speculators who were XRP
3 holders who were purchasing XRP as a speculative
4 investment?

5 A No. I'm talking about in the community of
6 people who are very interested in digital assets and
7 blockchain, my experience is that there are those who
8 subscribe -- who are believers -- and I mean that word
9 almost in a religious sense -- in a particular view of
10 how their projects will evolve and impact the world.

11 And particularly for early crypto believers, I
12 think many were very skeptical of Ripple and skeptical of
13 XRP because -- well, one of the reasons is because the
14 crypto community was largely of the mind of how do we
15 down with governments, down with banks. And Ripple was
16 taking the point of view of, hey, we're going to curry
17 favor with governments and we're going to sell to banks.
18 So when I say skeptics, I'm talking about those
19 communities.

20 Q Who specifically are you talking about when you
21 refer to skeptics? I'm not clear. Is there a specific
22 group of people?

23 A I'm referring to groups of people -- and I used
24 a couple of examples already. I'll highlight bitcoin
25 maximalists would be one example of a group of people who

1 believed bitcoin would be the only digital asset and all
2 other digital assets would go away. Those people by
3 definition would be skeptical of what Ripple was doing
4 and skeptical of XRP.

5 Q Why would people who hold bitcoin have a
6 concern with Ripple's holdings in XRP?

7 A I mean, part of my answer would be, you know,
8 best to ask them. I would speculate that my experience
9 is those are people who believe in certain dynamics of
10 how crypto, for example, should be distributed. So they
11 believe in mining as a more fair way to distribute the
12 rewards of digital assets.

13 So there are a number of reasons why I think
14 Ripple and XRP have been -- had its fair of skeptics.
15 One of them, again, is because we've tended to try to
16 partner with governments and tried to partner with banks,
17 and they were generally antigovernment, antibank. One is
18 by virtue of the XRP was, you know, pejoratively
19 described as pre-mined versus those like bitcoin and
20 ether that are still being mined, and the supply changes.
21 Those are a handful of reasons.

22 So when I refer to skeptics, those are all
23 examples of communities I think were skeptical.

24 Q My understanding of the proposal is that the
25 proposal refers to the skeptics as those people who are

1 purchasing XRP as an investment or as -- as an
2 investment. Is that not your understanding?

3 A Well, when I use the word skeptics, I'm
4 referring to those communities I was describing to. The
5 use of skeptics here, you'll have to point me to where
6 it's being used.

7 Q At the very top of the page under Executive
8 Summary, number 3, it says, "As we look at the reasons
9 why this is the case, the clear message we're getting is
10 that the supply of XRP in the market is too uncertain for
11 speculators to be comfortable being more active."

12 So my question is, did XRP holders, did they
13 have a concern -- were they concerned that Ripple would
14 go ahead and sell the XRP that it had in its possession?

15 A I would certainly not feel comfortable speaking
16 on behalf of people that I don't know nor understand
17 their motivations for why they may have been holding XRP.
18 Number 3 that you're referencing here to me is not
19 referring to XRP holders. It might be referring to
20 crypto traders. But again, I think earlier maybe we were
21 talking past each other, and so I was using the word
22 skeptics. Here we're talking about speculators and I
23 think my guess -- and I would be speculating myself -- is
24 that the author was referring to crypto speculators, not
25 necessarily just XRP speculators. As I'm sure you're

1 well aware, there is a lot of just pure speculative
2 trading that happens in the crypto markets.

3 Q And when you refer to skeptics, does that
4 include XRP holders and XRP purchasers on the secondary
5 market?

6 MR. CERESNEY: When he referred to skeptics
7 here just now?

8 MS. WAXMAN: Yes, yes, yes.

9 THE WITNESS: No. Are we talking past each
10 other?

11 MR. CERESNEY: I think you are.

12 Go ahead. Ask the question.

13 THE WITNESS: Sorry.

14 BY MS. WAXMAN:

15 Q I think the document speaks for itself.

16 MR. SOLOMON: Daphna, it's 5:14. It's been an
17 hour and 10 since the last break. Could we take another
18 short break since it's getting into the late afternoon
19 here?

20 MS. WAXMAN: Sure.

21 MR. SOLOMON: Thank you.

22 MS. WAXMAN: It's 5:15. We're off the record.

23 (A brief recess was taken.)

24 MS. WAXMAN: We're back on the record at 5:28.

25 BY MS. WAXMAN:

1 Q Mr. Garlinghouse, while we were off the record,
2 did you have new conversations with SEC staff?

3 A No, I did not.

4 MS. WAXMAN: Counsel, will you please confirm?

5 MR. SOLOMON: Confirmed.

6 (SEC Exhibit No. 229 was marked for
7 identification.)

8 BY MS. WAXMAN:

9 Q I would like you to take a look at Exhibit 229.

10 A Okay.

11 Q Why don't you take a moment to look at it. Let
12 me know when you're done.

13 A All right.

14 I'm pretty much done. I didn't read all of my
15 original email. I just read Antoinette's email.

16 Q That's fine. I'm just going to ask you about
17 her email. Who is Antoinette O'Gorman?

18 A Antoinette was at the company when I joined and
19 shortly after I joined, got promoted to chief compliance
20 officer and left the company in the spring of 2018.

21 Q And what was her role while she was at the
22 company?

23 A Chief compliance officer.

24 Q So did she send this email after she left the
25 company?

1 A Yes.

2 Q And do you recall receiving this email at the
3 time?

4 A Vaguely, yes.

5 Q And what do you recall about it?

6 A I remember thinking that Antoinette -- a little
7 bit of context. When Antoinette left, she rented a
8 Sprinter van and was doing a walkabout across the United
9 States and occasionally sending photos from her various
10 stops. So I remember thinking that I was intrigued that
11 she had taken the time to write it and send more photos.

12 Q With regard to the substance of the email and
13 her comments on it -- strike that.

14 What is she commenting on in the email?

15 A Well, she's commenting on a lot.

16 MR. CERESNEY: I think she means what is she
17 responding to?

18 THE WITNESS: Oh. She -- is that --

19 BY MS. WAXMAN:

20 Q Yes. Thank you, Andrew.

21 What is she responding to?

22 A She's responding -- one of the things that I
23 have done with some regular cadence was sending out to
24 Ripple investors, Ripple shareholders, a kind of -- I
25 think for a while we might have sent monthly and then we

1 switched to sending quarterly kind of updates about how
2 their company was doing. So she's replying to that email
3 from Q2 of 2018.

4 Q So did you send a quarterly update to Ripple's
5 shareholders? Is that the first email in the chain?

6 A Yes.

7 Q The update, did you write that yourself?

8 A I would call myself the editor, not the author.
9 But I certainly reviewed it in its entirety.

10 Q And are you responsible for everything that was
11 sent in the email?

12 A As the CEO of the company, I would say yes. As
13 I said, did I draft the email? No. But I'm not trying
14 to shy away from -- it was sent on my email account.

15 Q Why is she sending you this email?

16 A I would be speculating about why she sent the
17 email. My speculation is she's well-intended and intends
18 to be constructive and I think her intentions are good.

19 Q Did she express a concern that some of the
20 statements in your email were not accurate?

21 A I mean, I'm not sure that I would use the words
22 that she's expressing there are not accurate. Her word
23 choice was sloppy.

24 Q In the email, she says -- in the second
25 paragraph, she says, "I can't figure out why we continue

1 to say things like 'xRapid is alleviating institutions'
2 pre-funding needs so they can instead put that working
3 capital to use in other ways.'"

4 She's quoting you. She's quoting a sentence
5 from your email, earlier email.

6 A Yes.

7 Q And then she says, "xRapid users must pre-fund
8 their accounts on the outbound exchange."

9 Is that true?

10 A Today, no. At the time it was written, at the
11 time she wrote it, I understand her point. I think she
12 misses the point of where we were at the time and where
13 we're going.

14 If you only pre-fund it one exchange -- today
15 let's pick -- I'll make up a fictional Bank of Waxman.
16 You would pre-fund it 10, 20, depending on the size of
17 the bank, 30 different destination currencies, and you
18 would have that dormant capital at all of those different
19 currencies, all these different banks that have the
20 overhead associated with that.

21 If you're only pre-funding at a digital asset
22 exchange to one account, that's much more efficient use
23 of capital in how that is managed than if you're doing it
24 20 or 30.

25 Q So just going back to the initial question, so

1 her statement that xRapid users must pre-fund their
2 accounts on the outbound exchange, was that true at the
3 time?

4 A Yes, that would have been true at the time that
5 an xRapid user -- I mean, well, as we went through with
6 the MoneyGram diagrams earlier today, they showed that
7 they onboarded to Bitstamp, right? So the benefit is,
8 again, that they, instead of pre-funding at multiple
9 banks with longer durations, they can do that in more --
10 for many different destinations with one account.

11 Today that is not true and, again, when we
12 think about where the world goes, through XRP
13 origination, customers don't onboard at a sending
14 exchange because they are buying the XRP from us which
15 reduces costs and improves the efficiency with those
16 customers.

17 Q So if that's -- her statement, though, was
18 true, why do you say that xRapid was alleviating
19 institutions' pre-funding needs?

20 A So for pre-funding, I guess if I'm going to be
21 super crisp and precise, needs is a plural so maybe --
22 what she is saying is xRapid's alleviated institutions'
23 pre-funding need. That would not be true because you
24 would say, well, there might still might be a singular.
25 The needs is you need to -- using the Bank of Waxman as

1 the hypothetical example, across many accounts versus
2 one.

3 Q Today you said xRapid customers don't need to
4 pre-fund their accounts on outbound exchanges. Is that
5 your testimony?

6 A We have a number of customers live today,
7 meaning in Q3 of 2020, that use XRP origination and
8 therefore they can -- they no longer need to worry about
9 onboarding or origination of XRP purchases because they
10 can purchase the XRP from us.

11 Q What about on the outbound exchange?

12 A They don't have an outbound -- I mean, using
13 MoneyGram as an example, they don't have to have an
14 account at Bitso.

15 Q Right, because they're selling the XRP.

16 A Correct.

17 Q Did you ever discuss Antoinnette's email with
18 anyone else at Ripple?

19 A No. I mean, as you can tell from the email
20 chain, despite Antoinnette's request, I forwarded it to
21 Monica. Her team is typically the author of the
22 underlying email and I thought it was useful for her to
23 see some feedback.

24 Q Other than forwarding it, did you discuss
25 Antoinnette's statements about pre-funding?

1 A Not that I can recall.

2 Q In the following paragraph, Antoinette writes,
3 "It's unclear (to me, at least) how pilot users save that
4 much in fees when we waived most of the fees for pilots
5 and supplemented the cryptocurrency conversion cost if it
6 went against the pilot user."

7 Is she right to question whether there are cost
8 savings for xRapid pilot customers?

9 A You know, I have a lot of fondness for
10 Antoinette as our chief compliance officer. I would not
11 hire her as our CFO. So if I'm getting analysis from
12 our -- I'm getting financial analysis from our former
13 chief compliance officer, I'm not going to put as much
14 weight in that as the people that are currently employed
15 and trained to make those analyses and evaluations.

16 Q Did you ever discuss with Ripple's CFO whether
17 ODL pilot customers experienced cost savings at or around
18 the time of this email or at any time?

19 A I don't have any specific recollection at or
20 around the time of this email. Did I ever discuss with
21 our CFO things like cost savings from ODL? I'm sure that
22 I did at some point.

23 Q And who was the CFO that you had those
24 discussions with?

25 A Just to be clear, I don't have a specific

1 recollection of a specific conversation. I also
2 realize -- I'm certain that at some point over the course
3 of the last two or three years that the CFO, Ron Will,
4 and I would have discussed various analyses that are
5 being done or otherwise about something like this.

6 Q We've spoken a lot today about the potential
7 benefit to customers for using ODL and we've spoken about
8 statements that you've made regarding specific cost
9 savings from using ODL at the time. I know you've said
10 that you understood there was a potential for cost
11 savings but I think some of the statements referred to
12 actual cost savings.

13 Do you have any specific recollection of
14 conversations that you had analyzing specific costs
15 related to ODL for users or specific cost savings to ODL
16 users?

17 A I don't have any specific recollections. I
18 mean, just because we're having this email open, I'm
19 presuming that [REDACTED] the founder of [REDACTED]
20 [REDACTED] is quoted accurately and we're not putting words in
21 his mouth about his view of cost efficiency of xRapid. I
22 would not conflate MoneyGram's analysis as the second
23 largest remittance company on the planet to someone like
24 [REDACTED] or other players and the potential cost
25 savings they might see.

1 Q How is it that you don't have a specific
2 understanding of the specific cost savings related to
3 ODL?

4 MR. CERESNEY: I think he has testified about
5 his understanding. I don't think he lacks an
6 understanding of the specific cost savings.

7 MR. SOLOMON: I think what he's saying is he
8 doesn't have a -- if you have a document to show him or
9 an email to show him, that's fine but in terms of a
10 memory test about conversations he's had, it's not fair
11 to ask him about that. He said in general he had an
12 understanding and he's articulated what his general
13 understanding was. Specific issues tied to the
14 document --

15 MS. WAXMAN: I'm sorry. I don't think the
16 reporter can hear you, nor can I.

17 MR. SOLOMON: You asked him very general
18 questions. If you have a specific document you want to
19 point him to about a conversation he had or a question
20 about a specific customer or a specific point in time,
21 you can ask him, but asking him a very general question
22 about whether he's had any discussions about cost
23 savings, I think he's told you of course he has over
24 time, but he can't catalog those for you sitting here
25 today in September 2020.

1 BY MS. WAXMAN:

2 Q Does Ripple anticipate that it will cease
3 paying customers rebates, guarantees and incentives any
4 time soon?

5 A I think that will be corridor-specific as we
6 see various corridors achieve liquidity and kind of the
7 various flywheel dynamics we have discussed today but,
8 you know, we have already seen those incentives decrease
9 over the past 6 to 12 months significantly.

10 Q And how have you seen the incentives decrease?

11 A Well, we've restructured contracts with market
12 makers to decrease the costs to market makers. We have
13 continued to improve the efficiency of -- because of
14 those contracts being more efficient in what we're paying
15 them but also what they're doing, the spreads have
16 tightened. I think in some cases we've renegotiated
17 contracts with exchanges to provide discounts and so
18 we -- and we will continue to do those things and we will
19 continue, I expect, to see those costs decrease.

20 (SEC Exhibit No. 133 was marked for
21 identification.)

22 Q I would like to show you what's been marked as
23 Exhibit 133 in the third party document binder.

24 A Okay. I'm there.

25 Q Why don't you take a look at it. Let me know

1 when you're done.

2 A Just for my clarification, I think this is a
3 Ripple document and not a third party document, right?

4 Q Well, the document was not produced by Ripple.
5 It was produced by MoneyGram. I don't believe it was
6 part of Ripple's production.

7 A Okay. July 2019.

8 (SEC Exhibit No. 246 was marked for
9 identification.)

10 MR. CERESNEY: Just to let the record be clear,
11 Exhibit 246 looks to be -- has the same title on the
12 front, Scaling Global Liquidity for xRapid, except it's
13 dated June 2019 and this one is dated July 2019. I don't
14 know. I haven't compared that but it looks to be a
15 similar deck.

16 THE WITNESS: Yeah.

17 MR. CERESNEY: And that one was produced by
18 Ripple.

19 MS. WAXMAN: Yes, I have compared them.
20 They're not the same deck. The Exhibit 133 has
21 additional slides in it that are not included in Exhibit
22 246.

23 MR. CERESNEY: Okay. Obviously we produced
24 documents pursuant to agreed certain terms, et cetera. I
25 just don't want the implication to be that Ripple didn't

1 produce documents that it was required to.

2 MS. WAXMAN: No problem.

3 THE WITNESS: Okay. I've looked through it
4 loosely. I'm happy to comment.

5 BY MS. WAXMAN:

6 Q So do you recognize what's been marked as
7 Exhibit 133?

8 A I recognize it not in specificity, but in macro
9 concept.

10 Q And what is this Exhibit 133? Why was this --
11 was this document created by someone at Ripple?

12 A Yes.

13 Q And what's the subject of the document?

14 A Scaling global liquidity for xRapid, what we
15 now call On-Demand Liquidity.

16 Q And do you have any understanding why this
17 document was provided to MoneyGram?

18 A I don't. If I were to speculate, I would
19 imagine they were concerned about ODL's ability to
20 support growing volumes and they probably wanted to
21 understand how we intended to be able to deliver on that.

22 Q And how would Ripple support growth in volumes
23 on ODL by MoneyGram?

24 A By partnering with a set of market makers.

25 Q Now, if you turn to page 25 or slide 25.

1 A Are they numbered?

2 MR. SOLOMON: Yeah, very faint numbers.

3 THE WITNESS: I see it. Sorry. Okay.

4 BY MS. WAXMAN:

5 Q Earlier we talked about ODL order flow
6 imbalance. And does this slide also reference
7 one-directional ODL order flow imbalance?

8 A I would not use the word imbalance. It shows
9 one-directional flow.

10 Q And how do market makers redirect the flow?

11 A I'm not sure I understand the question you're
12 asking. How do market makers redirect which flow?

13 Q Well, my understanding is there's a lot of XRP.
14 The market maker has fiat and they use the fiat to
15 purchase XRP so they have a lot of XRP. So what do they
16 do with that XRP?

17 A I would be speculating to answer. I would have
18 to ask them exactly how they're measuring that on the
19 Treasury side for themselves. They could be using
20 bitcoin, they could be using traditional rails, they
21 could be using -- they could be moving that XRP.

22 Q But did you have an understanding that market
23 makers were using traditional payment rails on the back
24 end in order to support functioning of the ODL product
25 for users?

1 A Well, the function of the ODL product is a
2 distinction that I would not make. In order to increase
3 our ability to scale more quickly, we had partnered with
4 market makers who are providing liquidity. Those market
5 makers, their business is -- you know, they make money by
6 doing that. Some market makers may be participating in
7 some of these exchanges with whom we have no relationship
8 whatsoever.

9 How they manage their own treasury and balance
10 sheets, I would be speculating as to how they're doing
11 that.

12 Q Well, the slide says, "With one-directional
13 flow, our market makers leverage their prime brokerage
14 and banking relationships to ensure working capital being
15 available on xRapid exchanges."

16 A Yes. I read the same.

17 Q So someone at Ripple who drafted this
18 understood that market makers were using traditional
19 rails in order to support ODL flow, is that correct?

20 A I mean, you're putting words into that person's
21 mouth about using traditional rails. What I read is
22 they're leveraging prime brokerage and banking
23 relationships, which could be debt relationships. They
24 could be going to a local banking relationship in Mexico.

25 I mean, there's any number of things so it's

1 hard for me to know -- I think in my opinion, your
2 interpretation is different than what the words on the
3 page say to me.

4 Q Well, if you look at the image --

5 A I'm not --

6 Q -- it shows dollars being converted to Mexican
7 pesos.

8 A Yep.

9 Q And isn't International FCStone a traditional
10 rail entity?

11 A I have no idea what International FCStone is.

12 Q Is it an FX broker?

13 A I have no idea what International FCStone is.

14 Q Wasn't traditional -- the movement of money on
15 traditional rails needed for ODL to work?

16 A The movement of money in traditional rails is
17 needed to accelerate the volume that ODL can handle.

18 Q Was it needed to support MGI's volume?

19 A MGIs or any, you know, significant increase in
20 volume.

21 Q Did Ripple ever disclose the role that market
22 makers play and their use of, you know, traditional
23 payment roles on the back end to support the ODL product?

24 A I believe I have spoken publicly and I think
25 even some of the things that you shared with me today

1 that we work with market makers around the world.

2 Q Does it disclose that it provides fiat loans to
3 market makers?

4 MR. CERESNEY: Sorry, does --

5 BY MS. WAXMAN:

6 Q Does Ripple disclose that it provides fiat
7 loans to market makers in connection with ODL?

8 A I'm not aware of any -- as a private company --
9 dynamic -- I mean, we certainly aren't misleading the
10 market, and so I think we disclose that we work with
11 market makers, we disclose customers, as evidenced here.
12 They work market makers and they are part of the solution
13 set of what enables ODL to grow more rapidly as natural
14 liquidity grows in the market.

15 Q You said that you disclose that you work with
16 market makers. Do you disclose the actual payments that
17 you make to market makers in exchange for their services
18 in connection with ODL?

19 A I would highly doubt that we have publicly
20 shared the contracts we have with market makers and the
21 details of those.

22 Q Does Ripple subsidize the costs incurred by
23 market makers related to this FX trading using
24 traditional rails in connection with ODL?

25 A Does Ripple -- if I may parse that question

1 into does Ripple subsidize market makers -- subsidized is
2 an interesting word there. Ripple pays market makers and
3 could that be viewed as subsidizing something, I suppose
4 one could choose to characterize it that way.

5 Q What would happen if -- was it your testimony
6 that if market makers were not doing these things, ODL
7 couldn't support large volumes? Is that your testimony?

8 A I believe my testimony was we wouldn't be able
9 to scale ODL as quickly and support larger volumes.

10 Q Do you ever disclose publicly that the role of
11 the mark maker is critical to supporting, you know, rapid
12 expansion -- large expansion of ODL?

13 A I believe we have disclosed -- I know that I
14 have spoken publicly about the fact that we partner with
15 market makers as part of our business operations.

16 Q But you don't disclose that you pay them lots
17 of money in connection with ODL?

18 A I honestly don't know what we have disclosed.
19 I would be highly -- I think my testimony earlier was I
20 would be highly doubtful that we have shared the
21 specifics of any contracts we have with a market maker.

22 Q If you stopped paying market makers and they
23 stopped facilitating the role that we discussed in
24 connection with ODL, would that impact the ODL product?

25 A Yes.

1 Q And how would it impact the product?

2 I think you answered this but I'll ask it
3 again.

4 MR. SOLOMON: And I'm sorry, you built two ifs
5 in there. I want to make sure you're answering this. I
6 don't care what the answer is, I just want to make sure
7 you're answering appropriately.

8 You said if they stopped paying market makers
9 and if the market makers stop paying market participants?

10 BY MS. WAXMAN:

11 Q If Ripple stopped paying market makers, how
12 would that impact the ODL product?

13 MR. CERESNEY: Yeah, let's take it --

14 THE WITNESS: I don't --

15 MR. CERESNEY: And just to be clear, this is
16 like right now as opposed to down the road, right?

17 THE WITNESS: Right.

18 MS. WAXMAN: Yes.

19 THE WITNESS: So my honest answer there is I
20 don't know. I know, I actually have argued even
21 internally we're paying market makers to do what market
22 makers do. They make markets. And so the question is if
23 we exited the insensitive to market makers, would they
24 actually leave?

25 Now, what my guess is is that they couldn't

1 leave but they would not guarantee as tight a spread as
2 our contracts would require. So then in a -- over time,
3 this is what we will do is we will -- you know, there is
4 a natural liquidity that it has grown and continues to
5 grow. I mean, frankly, go back to when I joined Ripple,
6 the amount of liquidity in the crypto markets was tiny,
7 and today it's by many measures quite large.

8 So natural liquidity continues to grow. Market
9 makers participate in these markets because they want to
10 make money; they're profit-motivated actors. And to the
11 extent they see opportunities to make money, they will do
12 that.

13 Arguably we have helped accelerate their
14 participation in certain corridors and certain currency
15 pairs because we wanted to make sure that we could
16 support the MoneyGrams and other customers of ODL.

17 So to answer your hypothetical, if market
18 makers -- if we stopped incentivizing -- entering
19 contracts with market makers, what would happen to the
20 ODL product? I don't know.

21 BY MS. WAXMAN:

22 Q Would it have an impact on the acceleration of
23 the ODL product?

24 A I don't know.

25 Q Would that have an impact on XRP's price?

1 A I don't know.

2 MR. SOLOMON: Would what have an impact, if --

3 BY MS. WAXMAN:

4 Q If market makers no longer supported the ODL
5 product.

6 A I don't think that is knowable.

7 (SEC Exhibit No. 175 was marked for
8 identification.)

9 Q I would like to take a look at Exhibit 175.

10 MR. SOLOMON: Can we pause for a minute and
11 just maybe very quickly go off the record, just a reality
12 check? Because it's 6 o'clock.

13 MS. WAXMAN: We're off the record at 6 o'clock.

14 (A discussion was held off the record.)

15 (A brief recess was taken.)

16 MS. WAXMAN: We're back on the record at 6:07.

17 BY MS. WAXMAN:

18 Q Mr. Garlinghouse, while we were off the record,
19 did you have any substantive conversations with the
20 staff?

21 A I did not.

22 MS. WAXMAN: Counsel, will you confirm?

23 MR. SOLOMON: Yes, confirmed.

24 BY MS. WAXMAN:

25 Q I would like you to turn to Exhibit 175.

1 A Okay. I have it open.

2 Q Do you need a moment to take a look at it?

3 A Would you like me to read the whole thing?

4 Q No. Do you recognize what's been marked as
5 Exhibit 175?

6 A I recognize it only in context of preparation
7 for my testimony today.

8 Q Have you seen Exhibit 175 before?

9 A Not to my knowledge.

10 Q So you only saw it in connection with
11 preparation for testimony?

12 A That's correct.

13 Q Did you discuss with anyone the existence of --
14 well, strike that.

15 What is Exhibit 175?

16 A Exhibit 175 is a legal analysis and
17 recommendations regarding NewCoin, which is a predecessor
18 name to XRP as my understanding.

19 Q And who prepared the legal analysis?

20 A It was prepared by Perkins Coie and
21 specifically Dax Hansen and Naomi Sheffield.

22 Q And are those individuals lawyers?

23 MR. SOLOMON: Do you know?

24 THE WITNESS: I do know that Dax Hansen --
25 well, to my knowledge, Dax Hansen is a lawyer. I do not

1 know about Naomi Sheffield.

2 BY MS. WAXMAN:

3 Q And what is contain in Exhibit 175?

4 A My understanding from preparation on this is
5 it's a legal analysis covering a whole bunch of
6 recommendations. By memory, I think it was around 10
7 different recommendations about how what is now known as
8 Ripple should engage based upon the usage of NewCoin or I
9 guess context of NewCoin.

10 Q Did you have any discussions with anybody
11 regarding the recommendations in the memo, what's been
12 marked as 175?

13 MR. CERESNEY: That's a yes or no or I don't
14 recall.

15 BY MS. WAXMAN:

16 Q Other than conversations with counsel,
17 obviously.

18 A Other than conversations with counsel, I don't
19 recall.

20 (SEC Exhibit No. 176 was marked for
21 identification.)

22 Q Can you turn to Exhibit 176?

23 A Yes, it's open.

24 Q Do you recognize what's been mark as Exhibit
25 176?

1 A Only insofar as what I did in preparation for
2 this testimony.

3 Q Have you ever seen Exhibit 176 before prepping
4 for testimony?

5 A No. To my knowledge, no.

6 Q Were you aware of the existence of Exhibit 176?

7 A I was aware that outside lawyers had done
8 various analyses but I was not aware of any specificity
9 to that.

10 Q Were you aware that there was an October 2012
11 legal memo from Perkins Coie --

12 A No.

13 Q -- regarding Ripple credits?

14 A No.

15 Q I don't want to find out any legal advice but
16 when did you learn again about the existence of the
17 October 2012 memo?

18 A In preparation for this testimony.

19 Q You've referenced publicly that you believe XRP
20 is not a security, is that correct?

21 A That is correct.

22 Q Do you still have that belief?

23 A As a nonlawyer, layperson, judgment and I think
24 educated about business, yes, it's my opinion that XRP,
25 since it doesn't represent ownership in Ripple, doesn't

1 give anyone rights and title to Ripple governance rights.
2 And I think, again, as a layperson, if Ripple decided to
3 shut down tomorrow XRP trades at I think somewhere around
4 200 exchanges around the world and XRP would continue to
5 trade.

6 Q I believe you've stated previously that one of
7 the reasons XRP is in your opinion not a security is
8 because XRP has utility. Is that correct?

9 A I may have said that, yes. I don't recall a
10 specific time saying that certainly -- I suppose I may
11 have said that. I don't know.

12 Q Well, is that one of the reasons why you
13 believe XRP is not a security?

14 A I mean, as a nonlawyer, you're asking me kind
15 of -- you know, the reason why we're spending time
16 together is because people smarter than me from around
17 the law have interpretations. I'm making interpretation
18 based upon my view and the kind of key reasons are the
19 two that I highlighted up front.

20 There was a speech, as I recall, from Director
21 Hinman about utility. I can't remember exactly. Or
22 maybe it was a published list of criteria, that utility
23 was a factor but that's not necessarily one that I think
24 I frequently highlight.

25 Q When I use the term utility, do you know what

1 I'm talking about?

2 A I believe you're referencing a use case beyond
3 just speculative trading.

4 Q Did XRP have a use case?

5 A In what time period?

6 Q In 2017.

7 A I suppose it depends on who the user was, who
8 the buyer, who -- what they were doing with it.

9 Q Were you aware of any -- were any users -- were
10 any customers using XRP for cross-border payments in
11 2017?

12 A By Ripple? No.

13 Q By Ripple customers.

14 A Maybe the subtle point I'm making is that there
15 is a vast number of people, companies using XRP. I
16 obviously can't speak on behalf of all of them.

17 Ripple was not using XRP in any production
18 products in at least the majority of 2017.

19 Q So in 2017, Ripple's sales of XRP, who were
20 they targeted to?

21 A I mean, I would -- I would need to see who were
22 the buyers of XRP in 2017 from Ripple.

23 Q You just said that there were no actual users
24 of XRP for cross-border payments in 2017, so were the
25 sole purchasers of XRP that Ripple sold speculators?

1 THE REPORTER: I'm sorry, I didn't understand.

2 "Were the sole purchasers of XRP ever" --

3 BY MS. WAXMAN:

4 Q Were the people that Ripple was selling XRP to
5 using the XRP or were they buying for investment?

6 A I don't want to speak on behalf of -- I don't
7 know who you're referencing specifically. I don't have a
8 list of who those buyers were and if I did, I'm not sure
9 I would want to speculate on how they were using it.

10 Q But based on what you just said, you said in
11 2017, no one was using XRP in connection with ODL or any
12 Ripple-promoted product.

13 A In 2017, Ripple was not using XRP in production
14 for cross-border payment flows.

15 Q So were Ripple's sales -- who was Ripple
16 selling XRP to if they weren't selling to users?

17 A I don't have that information at my fingertips.

18 Q Do you have any understanding who Ripple was
19 selling XRP to in 2017?

20 A My loose viewpoint without specific information
21 in front of me would be that OTC sales would have been
22 to, you know, kind of bulk purchasers, you know, people
23 we have onboarded to an entity called XRP II but, I mean,
24 2017 was years ago and I'm not familiar with -- it's been
25 too long since I can recall who those purchasers were in

1 2017.

2 Q The sales through XRP II, were those to people
3 who were going to use XRP or were those sales to XRP
4 investors?

5 A I don't know who those buyers were and if I did
6 have it in front of me, I would probably be hesitant to
7 speculate on exactly what they were choosing to do with
8 the XRP once they received it.

9 Q But you do know that nobody was using XRP for
10 cross-border payments before 2018 and the introduction of
11 xRapid?

12 A I do not know that. I know that Ripple was not
13 using XRP for cross-border payments prior to roughly that
14 time period.

15 MS. WAXMAN: Okay. I don't have any further
16 questions. I don't think anyone from the SEC has any
17 further questions, but I want to provide counsel with an
18 opportunity to make any clarifying statements or to ask
19 any questions.

20 MR. SOLOMON: No. Thank you very much for the
21 opportunity but no, thanks. No more questions.

22 BY MS. WAXMAN:

23 Q Mr. Garlinghouse, thank you very much for
24 participating in today's testimony and thank you for
25 participating by Webex.

1 We don't have any further questions. If we do,
2 we will reach out to your counsel.

3 A Thank you very much.

4 MS. WAXMAN: It's 6:20. We're off the record.

5 (Whereupon, at 6:20 p.m., the examination was
6 concluded.)

7 * * * * *

PROOFREADER'S CERTIFICATE

In The Matter of: RIPPLE LABS, INC.

Witness: Bradley Kent Garlinghouse, Jr.

File Number: NY-09875-A

Date: Thursday, September 10, 2020

Location: New York, NY

This is to certify that I, Maria E. Paulsen,
(the undersigned), do hereby certify that the foregoing
transcript is a complete, true and accurate transcription
of all matters contained on the recorded proceedings of
the investigative testimony.

(Proofreader's Name)

(Date)

CERTIFICATE OF REPORTER

UNITED STATES OF AMERICA) ss.:

THE COMMONWEALTH OF VIRGINIA)

I, MARY GRACE CASTLEBERRY, RPR, the officer
before whom the foregoing deposition was taken, do hereby
certify that the witness whose testimony appears in the
foregoing deposition was duly sworn by me; that the
testimony of said witness was taken by me to the best of
my ability and thereafter reduced to typewriting under my
direction; that I am neither counsel for, related to, nor
employed by any of the parties for the action in which
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Notary Public in and for

The Commonwealth of Virginia

My commission expires: 07/31/2023

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